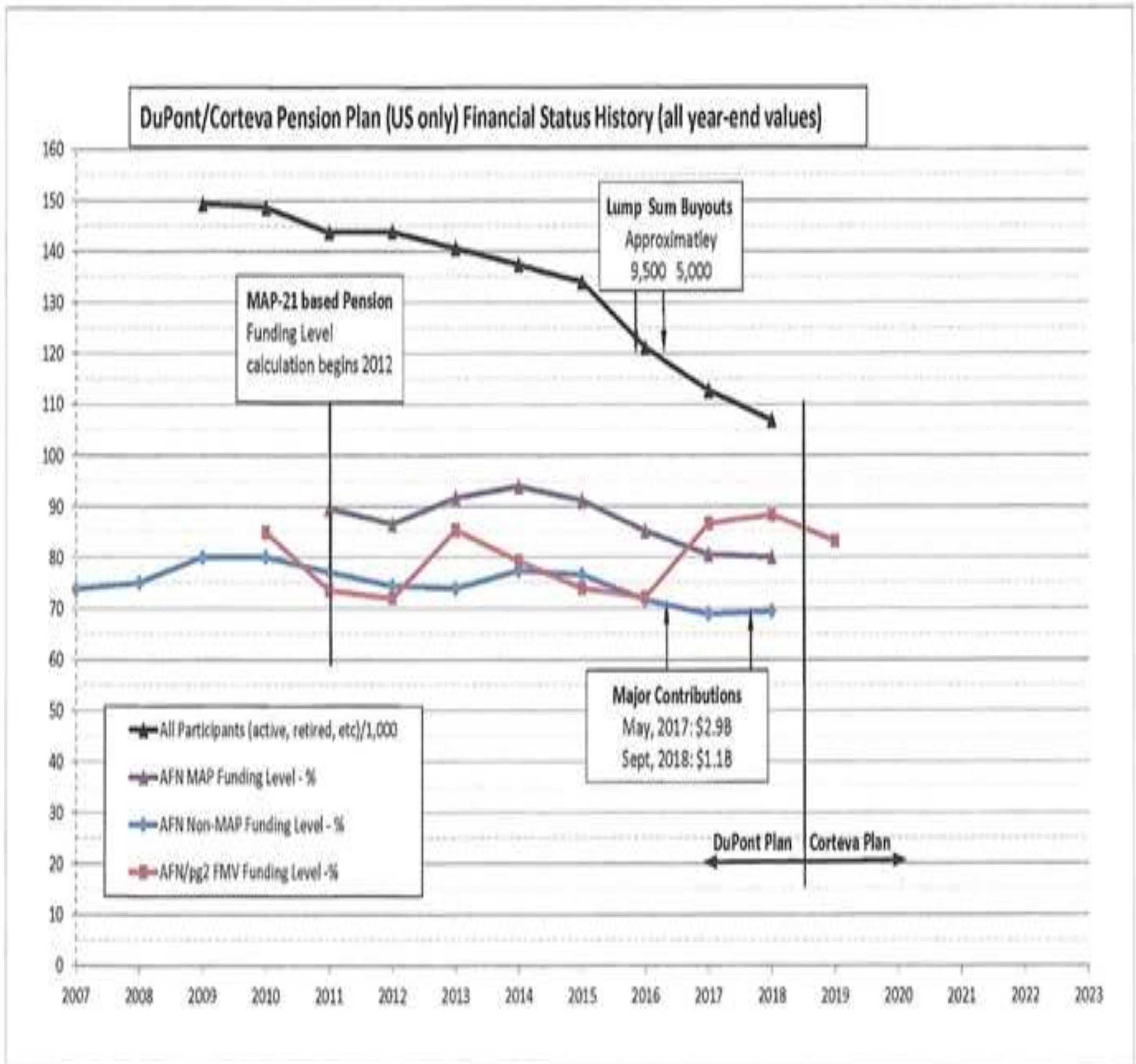
July 20, 2020
From: Paul Kende and Jim Odle
To: NRLN DuPont Retirees Chapter
Subject: DuPont/Corteva Pension Plan Historical Financial Overview

This is the first update of the financial history of the former DuPont Pension Plan since Corteva Agriscience assumed its sponsorship on June 1, 2019 – and is based on the April, 2020 Annual Funding Notice (AFN), which reports the status of the Plan over a 3-year period (2017, 2018, 2019). We have posted Plan Participant and performance data from AFNs, dating back to 2007 on the graph below, so we can better see and assess the Plan and its security.



U.S. Pension Plan Participants numbered nearly 150,000 in 2010, but this is down to about 107,000, due to attrition and Lump Sum Buyouts (LSB) in 2016/17; these Participants include retirees, and people vested in the Pension Plan, whether active Chemours, New DuPont or Corteva employees, or former employees.

The Funding Target Attainment Performance (FTAP %) is a key indicator of Plan status and security. Ideally, the 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 Sponsor contributions, investment performance of Plan assets and mortality projections of Plan Participants.

The graph shows 3 different 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 (PPA) discount rate formula, based on the 2-yr average Treasury Bill yield. This FTAP basis shows a slide in performance from 80.2% at year-end 2010, to 69.4% in 2018, despite a $4B total contribution in 2017 and 2018. 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 (extended to 2020), allowing plan sponsors to use 25-year average high-quality corporate bond yields to determine 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. Allowing MAP-21 to expire in 2020 would again increase minimum corporate contribution requirements in the current difficult financial environment. The House of Representatives included a further extension of MAP-21 in its recent Heroes Act; however, it is unclear if the Senate will consider this, or create their own stimulus bill, which may or may not include a MAP-21 extension.

The much higher MAP-21 based FTAP values are shown by the purple line, though this too shows a performance slide from 89.6% in 2011 to 80.0% in 2018, despite DuPont's $4.0 billion contribution in 2017 and 2018. Typically, plans at 80% or below, are added to the Pension Benefit Guarantee Corporation's "watch list" for potential plan termination.

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 2019 AFN report. There you will 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 red FMV-based FTAP graph indicates a funding level of 88.3% in 2018, but it has dropped to 83.2% in 2019.

Because excess Sponsor contributions, beyond the minimum requirements, go into the so-called "Prefunding Credit Balance", these funds are not included in the reported MAP and Non-MAP FTAPs; however, the FMV calculations do recognize all contributions, as indicated by its sharp increase in 2017/18 Funding Level. 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, as well about the status of the legal action against DuPont and Corteva for ERISA violations. 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 $3.3B Plan shortfall, 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 guarantees.

- A Lump Sum Buyout, usually with an Annuitization option offered to Participants, is a possible but potentially expensive 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.
- As we reported on 8/1/19, 4 DuPont retirees filed a complaint on 7/3/19 in a California Federal District Court, requesting certification for Class Action, to sue Corteva, DuPont, Dow, DowDuPont and members of top management, for violating ERISA laws. Probably relevant to this case, in a 5:4 decision on 6/1/20, the U.S. Supreme Court confirmed two lower court rulings in Thole v. U.S. Bank that, without actual financial injury, retirees cannot sue their former employer for breach of fiduciary duty, regardless of losses to the Plan itself. This is a similar outcome to the 2016 Court of Appeals dismissal of the Class Action against Verizon. Without commenting on the legal merits of various claims in the Class Action Complaint, the current status of the case is:
    - On 4/27/20, the Court granted Corteva's motion to dismiss, but allowed Plaintiffs to amend the Complaint.
    - Plaintiffs filed an Amended Complaint, alleging that the way DuPont off-loaded the Pension Plan on Corteva, effectively terminated or transferred the Plan, without fully funding it, as required by ERISA laws.
    - Motions and responses have taken place in June and July, with oral arguments scheduled for July 28.

Your comments and questions are welcome....Paul Kende (paul.kende@gmail.com) and Jim Odle (odlejk@gmail.com)