Recently, the NRLN collected the 2023 Annual Funding Notices (AFNs) for plan year 2022 from 26 member organizations and compared this data with NRLN's 2012 survey of member AFN data.

## Corteva Pension and Retirement Plan 2022 AFN - Key Comparisons and Comments

NRLN AFN comments are limited to AFN data and current statutes only. Members in union bargained plans must consult terms of union agreements governing specific pension plan rules and protections.

**The Corteva Pension and Retirement Plan - NRLN AFN Financial Performance Study Data:**

| | 2012 | 2022 | % Change | COMMENTS |
|---|---|---|---|---|
| # Plan participants | 122,779 | 89,681 | -27% | LSs S - 2016 9,500, 2017 5,000 |
| $ Plan assets ($ billions) | 15,106 | $12,281 | -19% | PRTs - 2021 9,000, 2022 12,300 |
| $ Plan Liabilities ($ billions) | 20,998 | $13,713 | -35% | Contr. - 2017 $2.98, 2018 $1.18 |
| **Plan Funding %** | **71.94%** | **89.56%** | **17.62%** | |

The NRLN does not rely on AFN data calculated using 2006 Pension Protection Act (PPA) or Moving Ahead for Progress (MAP 21) and subsequent extensions of it that inflate liability discount rates and plan funding %. This data is based on calculations as of 1/1 of a plan year and are 16 months old when you receive your AFN. Instead, we rely on 12/31 calculations based on the Fair Market Value of Assets and projected liabilities.

Lump Sum payments to 14,500 participants and Pension Risk Transfers (**PRTs**), **Lift-Out** transfers of 21,300, participants took place from 2016–2022. These combined with normal attrition and COVID, created a 27% reduction of participants and a 35% reduction of plan liabilities. Corteva's $4.16 billion 2017 and 2018 plan major contributions helped close the gap between assets and liabilities **from $5.9 billion in 2012 to $1.2 billion by 2022**. This was significant – **liabilities dropped 35% and funding rose 17.6 % to 89.6%.**

**AFN Asset Allocation Tables for 2012 and 2022**. In 2012, 62% of all plan assets were invested in corporate stocks (39%), partnerships and joint ventures (20%) and employer securities (3%). By 2022 this 62% had been reduced to 27% of assets. Also, by 2022, 56% of all plan assets were moved to Investment grade debt and high yield investments and 8% were moved to real estate. In 2012, only .1% was invested in these lower risk asset classes, combined. This is a classic example of derisking called **Liability Directed Investing (LDI).**

LDI, Lump Sum payments and PRTs and Corteva's major contribution of $4.16 billion, have combined to reduce corporate liabilities and boost plan funding by 17.6% to 89.9%. If Corteva added another contribution of about $1.4 billion, plan funding would grow to 100%. A plan funded at 100% might be fully annuitized but the plan sponsor would also pay fees of 3.5% **Read more about Derisking, PRTs and Lift-outs below.**

## NRLNs' Comparison and Comments on 26 of its' Members 2012 and 2022 Pension Plan AFNs:

The Avaya management plan was terminated in 2017 in bankruptcy and in 2013 GM terminated its Management plan in a PRT resulting in 100% annuitization of benefits. In addition, targeted groups of participants from five (5) plans were in PRT Lift-Outs (see below) – their pension benefits were annuitized.

On January 1, 2023, 100,000 IBM management retirees began receiving monthly annuity payments from an insurance company in lieu of a pension benefit payment from IBM. In May, AT&T announced that PRT annuity payments would replace pension checks of 96,000 plan participants this year. Despite these PRTs, NRLN estimates that about 150,000 IBM and 300,000 AT&T plan participants will not be affected this year.

Despite PRT driven asset decreases, all 23 remaining plan AFNs reporting 2023 plan assets ranked among Milliman's TOP 100 U.S. plans with the highest assets - Six of our 23 plans assets ranked in the top 11.

| | 2012 | 2022 | % Change |
|---|---|---|---|
| # Plans | 21 | 26 | 5 |
| # Plan participants | 2,307,679 | 1,874,250 | -19% |
| $ Plan assets ($ billions) | $231,366 | $231,779 | 0% |
| $ Plan Liabilities ($ billions) | $279,811 | $234,584 | -16% |
| **Plan Funding %** | **82.7%** | **98.8%** | **16%** |

2022 AFN data resulted from years of recovery from a great recession, corporate re-sizing and contributions, attrition, the effect of COVID and PRTs, and the addition of new plans AFNs. As of 12-31-2022, five (5) plans affected by PRTs were still ERISA protected – their funding was level was 88.6%. On the same date, the 20 ERISA protected plans (excluding GM) averaged 99.6 %. The combination of all plans was 97%.

**Among the 20 ERISA protected plans, ten (10) were funded at 95% or higher and six (6) were funded at 116% or higher. Plans affected by lump sum buyouts and PRTs were funded from 81.3% to 92.6%.**

## IF MY COMPANY ELECTED TO DE-RISK, ANNUITIZE MY PLAN, COULD I LOSE MY PENSION RIGHTS?

John retired several years ago at age 65. His Company pension pays him $60,000/yr. for as long as he lives. His pension fund is funded to 110% of liabilities, it looks safe. Even if things went terribly wrong, John's pension is protected by the Federal Government's ERISA laws, which ensure payment from the Pension Benefits Guaranty Corporation (PBGC).

But then, his Company decided to reduce their exposure to volatility in pension funding and its negative impacts on their corporate financial statements. Technically, they call this a Pension Risk Transfer (**PRT**). They could transfer the entire assets and benefit liabilities of the pension fund or just those from a selected group (this is a **PRT Lift-Out**) to a private Insurance Company. John continued to receive his pension payments, only now, as an annuity payment, from the Insurance Company, unaware of any underlying risks.

But in John's case, the unimaginable happened- the Insurance Company failed a few years later and was unable to make payments. John was no longer covered by the PBGC or ERISA. His State Guaranty Association, like most, had a maximum payout of $250,000 to protect him (and his spouse) - about four years' worth of pension payments. Losing ERISA protections including PBGC insurance can be a life altering event.

There are two kinds of pension plans that we hear about - those that are underfunded and at-risk if a company files for bankruptcy and those that are fully funded and thus attractive as PRT candidates.

The NRLNs white paper and statute draft on de-risking are posted at www.nrln.org. On July 18, 2023, Michael Calabrese, NRLN's Strategic Policy Advisor, presented our case for reinsuring partial or full pension risk transfers in exchange for annuities to the Department of Labor. Our statute draft would ensure full protection of annuities. We need your support to help lobby for our bill later this year. Watch for NRLN Action Alerts.

Also, in 2023, we are lobbying to protect Medicare and Social Security benefits and to lower prescription drug prices. Please complete the form below and mail it with your check or go to www.nrln.org click the Contribute tab to make a credit card or PayPal contribution.

Bill Kadereit, President
National Retiree Legislative Network

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**National Retiree Legislative Network Contributions Form – Dupont Retirees Chapter**
The NRLN is a nonprofit organization. Because we lobby, contributions are not tax deductible.

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