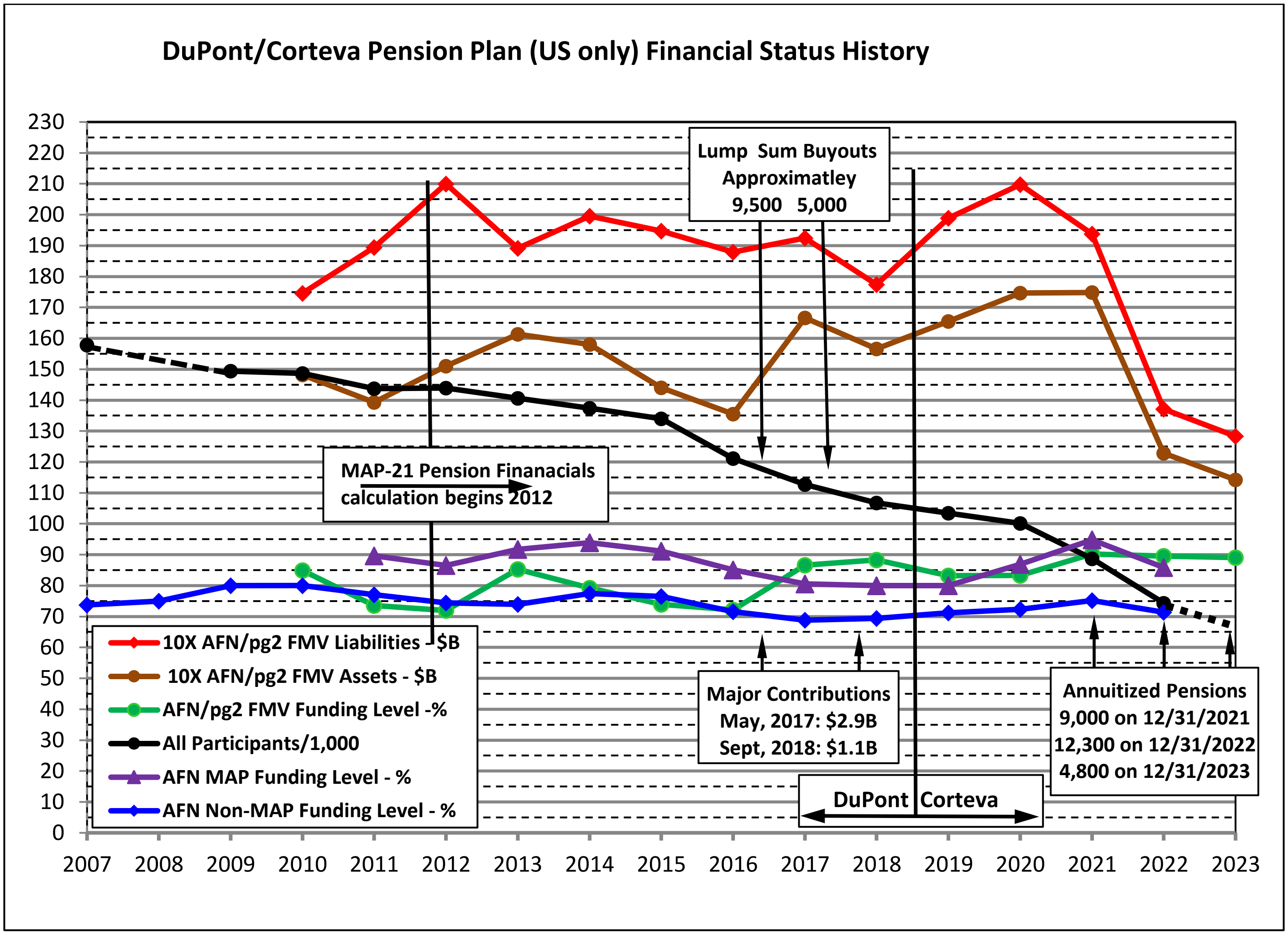
June 20, 2024

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

This is an update of the financial history of the DuPont Pension Plan, for which Corteva Agriscience assumed sponsorship on June 1, 2019; it is based on the April, 2024 Annual Funding Notice (AFN), which reports the status of the Plan over the previous 3-years. In the graph below, I show Plan Participant population and performance data from the AFNs, dating back to 2007, so we can all see and assess the Plan's financial trends and its current status.



Our NRLN/DuPont Retirees webpage (https://nrln.org/nrln-dupont-retirees-chapter/) provides a wealth of information on pension related issues; last year's report is the first item in its Archives section. For a detailed analysis and explanation of the various methods for calculating Funding Levels, MAP-21 adjustment history, Prefunding Credit Balance, Fair Market Value, and other financial factors, refer to my May 3, 2022 note (2nd item in the Archive).

Below is a brief summary of our Pension Plan's current, updated financial condition and its implications for us.

1. **Demographics -** U.S. Pension Plan Participants (retirees, spouses and former, vested employees) numbered about 158,000 in 2007, which is now down to 74,339, due to attrition, Lump Sum Buyouts and annuitized Plan Participants, mostly without contingent beneficiaries. Approximately 4,800 additional Participants were annuitized in 2023, the 3rd such de-risking move for Corteva. Mortality rate is roughly 3%/year; therefore, I project a Participant population of about 66,000, at year-end 2024 (dotted black line).

2. **Financials -** Between year-end 2022 and 2023, liabilities dropped by $0.88B and assets by $0.86B. The Pension Plan liability reduction was mainly the result of annuitization and benefits paid out during the year. Assets were also diminished by the annuitization transaction, the benefits paid out, as well as by investment market results. The net effect of all this was a Fair Market Value (FMV)-based Funding Level at 89.0%, at year-end 2023, about the same as a year earlier (green line). I believe that FMV, the most current valuation, is also the most reliable indicator of the Pension Plan's financial condition.

3. **Pension vs Annuity Risk -** Annuitized pensions are no longer protected by federal ERISA rules, nor covered by PBGC insurance, against failure to pay by Prudential. However, insurance companies are highly regulated, rarely fail, and state Insurance Guarantee Associations provide some coverage (varies by state) - but much less than PBGC (which is 100% for most people, except for very highly paid younger pensioners). Loss of ERISA and PGBC protection represents increased risk for annuitized pensioners. I was unsuccessful in persuading Corteva management to purchase secondary, re-insurance, for annuitized Participants, against Prudential's potential failure; however, I know of no pension plan sponsors who have purchased re-insurance. Our NRLN organization is actively lobbying for legislation, to make such secondary re-insurance mandatory for sponsors; there is interest on the Hill, and we hope to persuade key Senators to sponsor a bill in the near future – not an easy task, in a politically strained environment.

4. **Future Annuitizations –** In view of the recent major annuitizations by IBM (100,000 pensions with $16B liability transfer to Prudential and MetLife, effective 1/1/2023 (https://www.ai-cio.com/news/ibm-de-risks-16-billion-in-pension-obligations/) and AT&T (96,000 pensions with $8B liability transfer to Athene), as well as Corteva's three, much smaller de-risking actions, the obvious question is: will Corteva annuitize more or even all our pensions? I do not know Corteva's plans, but I believe they would do this under the right financial conditions of increased discount rates (resulting in Funding Levels approaching 100%), and good investment performance. One factor mitigating against this, is that the easy-to-annuitize, low-value pension obligations and single life/no beneficiary pensions (i.e. the "low hanging fruit"), has mostly been accomplished, and the remaining pensions are more complex and more expensive to transfer. Also, insurance companies want annuitized pensions to be actuarially fully funded; therefore, taking the required funds for this from Plan assets, for a small group, reduces the funding level slightly, for the much larger group of the remaining Participants.

We will continue to communicate with you via email and our website, when something significant occurs. And you will receive communications directly from NRLN, about actions that affect all retirees, including Medicare and Social Security. NRLN continues to advocate for legislation, for additional pension protections, especially around de-risking.

Your comments and questions are always welcome.

Paul Kende (paul.kende@gmail.com)
Jim Odle (odlejk@gmail.com)