

2024 Summary Funding Statement – the Segregated Dow Section

This document is the 2024 Summary Funding Statement for the Segregated Dow Section of the Dow Services UK Pension Plan (“DSUPP” or “the Plan”). The Plan merged with the Dow Corning Limited Pension Plan at the end of January 2018. Two distinct and segregated Sections were created: the Dow Section, which contains the former assets and liabilities of the DSUPP, and the DCL section, which contains the former assets and liabilities of the Dow Corning Limited Pension Plan.

This statement relates to only the Segregated Dow Section (“the Dow Section”) of the Plan. The effective date for this Statement is 31 December 2023 (this is set by legislation). Statements are provided roughly each year to all members of the defined benefit (DB) sections of the Plan.

The Trustee is responsible for regularly checking the Dow Section’s funding: in other words, how the amount of money held by the Dow Section compares with the money needed to provide the benefits promised to members. This Statement tells you about the health of the Dow Section’s funding.

Financial health check

The most recent full actuarial valuation (a financial health check) of the Plan examined the finances as they stood on 31 December 2021. Full actuarial valuations take place at least every three years. In addition, an interim valuation has been carried out at 31 December 2023. Interim valuations are carried out between full valuations to give the Trustee and the Principal Employer of the Dow Section, Dow Chemical Services UK Limited (‘the Company’), an annual estimate of the funding position.

‘Ongoing’ valuation results

The table below shows the Actuary’s findings for the 31 December 2021 full valuation and compares these with the results of the latest interim valuation. Also included for comparison purposes are the equivalent figures at 31 December 2022, the figures which were contained in the last Statement. These figures use the ‘ongoing basis’, which assumes the Plan will continue until the last member’s benefits have been paid. The Dow Section’s liabilities are calculated using certain assumptions about the future, including possible investment returns, member life expectancy and future inflation which are agreed between the Trustee and the Company as part of the full valuation.

These figures include the assets and liabilities held within the Dow Section’s defined contribution section.

	Full valuation 31 December 2021	Interim valuation 31 December 2022	Interim valuation 31 December 2023
	£m	£m	£m
Total liabilities	1,122.0	761.8	745.4
Market value of assets	1,130.4	810.4	794.7
Ongoing funding level	101%	106%	107%
Surplus/(Deficit)	8.4	48.6	49.3

What do these figures mean?

Since the 2021 full valuation, the surplus in the Dow Section increased from £8.4m at the end of 2021 to £49.3m at the end of 2023. This is largely due to steep rises in interest rates over 2022. When interest rates rise, all else equal, the value placed on the Dow Section's assets will fall. As the Plan invests some of its assets in order to match changes in the value of these liabilities, these assets fell in value too. The remaining assets of the Dow Section did not fall in value so much and therefore the funding position improved over 2022. Over the year to 31 December 2023 the funding position improved slightly. This was because while interest rates remained at similar levels to those seen at the end of 2022, long-term inflation expectations have fallen slightly, reducing the value placed on the Dow Section liabilities. It is expected that the Dow Section's funding level will vary over time, as both economic and investment market conditions change.

It is important to remember that the majority of the benefits provided by the Dow Section are calculated on a defined benefit basis and so are not linked directly to the absolute value of the Plan's assets. As long as the Company remains able to support the Plan, these benefits will continue to be paid in full to members. If you have Additional Voluntary Contributions (AVCs) or benefits within the Dow Section's defined contribution section, the value of these benefits will depend directly on the performance of the funds that you have chosen to invest them in.

Other information

No payments have been made to the Company from the Plan since the date of the last Summary Funding Statement. Neither has any action been taken by the Pensions Regulator to change the Plan's benefits or funding arrangements.

The next full actuarial valuation will examine the finances of both Sections of the Plan as they stand on 31 December 2024.

Financial support from the Company

The Trustee's objective is to have enough money in both Sections of the Plan to pay members' benefits both now and in the future. This can only be achieved with the financial support of the Company because:

- In addition to members' contributions, the Company will continue to pay for the cost of Dow Section benefits as they build up;
- The funding level can fluctuate, and when there is a deficit the Company will usually need to put in more money; and
- The target funding level may turn out to be not enough, so that the Company will usually need to put in more money.

What if the Plan is wound up?

The Trustee must look at the ability of the Plan to pay benefits if it were to wind up (if the Plan were to close down completely). In that case, the Trustee needs to make an assumption that no more money would be put into the Plan and no additional benefits, over and above those already earned, would be payable. Furthermore, the money would be used to pay an insurance company to provide the benefits.

The estimated amount needed to pay all Dow Section members' benefits in full, if the Plan had started winding up on the last full valuation date, 31 December 2021, was £1,279.2 million, compared to the estimated £1,122.0 million needed to pay for Plan benefits on the 'ongoing' basis. This difference is common among UK pension schemes and reflects the additional costs of buying out benefits with an insurance company. The difference between the assets and the liabilities on this basis was £148.8 million (88% funding level for the Dow Section).

Please note that inclusion of this information is a legal requirement. It does not mean that the Trustee or the Company are thinking of winding up the Plan.

Pension Protection Fund

Legally, if the Plan wound up, the Company would have to pay in extra money to make sure all members' benefits could be paid in full by an insurance company. If the Company became insolvent and could not make extra payments, the Pension Protection Fund (PPF) might take over the Plan and pay compensation to top up members' benefits to certain limits.

For more details visit www.ppf.co.uk or write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

More Information

There are a number of documents available about the Plan.

- Statement of Investment Principles: This explains how the Trustee invest the money paid into the Dow Section.

- Statement of Funding Principles: This sets out the Dow Section's funding plan.
- Schedule of Contributions: This shows how much money is being paid into the Dow Section by the Company.
- Annual Scheme Report and Accounts: This shows the Plan's income and expenditure over the year.
- Formal Actuarial Valuation Report: This contains further details of the Scheme Actuary's check of the Dow Section's financial security as at 31 December 2021.
- Actuarial Reports: These contain further details of the approximate update of the Dow Section's financial position as at 31 December 2022 and 31 December 2023

If you would like a copy of any of these documents, if you have a question about the Plan or a question about the information in this statement, please contact the Dow pensions team using the contact details below:

Email: dowpensions@capita.co.uk
Phone: 0114 289 3377

Important: If you are thinking of leaving the Plan for any reason, you should consider talking to an Independent Financial Adviser, before taking any action.