



SPOT LIGHT

Dow Services UK Pension Plan 2020

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Audio version

To help our visually impaired members, we now provide audio versions of Spotlight on our website www.mydowpension.co.uk

Defined contributions **default strategy**

(For members with defined contribution benefits within the Dow Section of the Plan)

Choosing the right investment option for you and your pension contributions is an important consideration. If you wish to make your own investment choice, the Dow Services UK Pension Plan has a number of investment funds that you can choose from. Your choice should be aligned to your individual circumstances, how you intend to use your account, your attitude to risk, and when you plan to retire.

However, if you do not wish to make an investment choice, the default investment option described below will automatically apply to you.

Defined contribution pensions allow you to build up a pension pot which you can draw a retirement income from. Both you and Dow Services make contributions in each pay period to build up this pension pot.

The default investment option

The default option in the Dow Services UK Pension Plan is a series of Retirement Strategies Funds managed by Alliance Bernstein, which have been designed for members who may wish to take their account via drawdown. Drawdown may be suitable for you if you wish to keep your pension account invested but take regular or one-off income from your account.

These funds are designed and managed with a target date range aligned to when you expect to retire, stated in the name. For example, the 'AB Retirement Strategies Fund 2023-2025' is designed for members who are looking to retire between 2023 and 2025. Each fund aims to manage risk by using different investments according to how long you have to go until the target date. When you are a long way from the target date the fund takes a higher level of risk, investing more in equities (stocks and shares), with the aim of achieving investment growth. As the target date approaches the fund reduces investment risk in your account by automatically moving you into lower risk investments such as corporate bonds and government gilts.

The Investment Booklet is being updated at the moment and when it is ready later this year it will be available at www.mydowpension.co.uk/useful-documents. Individual fund factsheets are also available at the same page.

Alternative investment options

If you do not wish to invest in the default option, a range of self-select funds catering for different risk tolerances are available from Fidelity. For more information on the funds, see the Investment Booklet on the member site: www.mydowpension.co.uk/useful-documents

One of the things you will need to think about when making an investment choice is how you wish to take your benefits at retirement. A summary of your main choices is provided below.

Here is an example of when the default strategy would be an appropriate investment strategy: Steve is aged 59 and wants to retire when he is 66. When he retires, Steve would like to use some of the tax-free cash in his pension account to buy his daughter a car but plans to leave the balance invested to provide him with income or for additional large expenditure. He does not wish to make his own investment choice, so he has opted to stay invested in the default option which for him is the 2026–2028 fund to coincide with his 66th birthday.

Finally, we understand that making investment choices can be daunting. If you have any queries or require further information, please use the contact details on page 8.

Please note that neither the Company nor the Trustees are able to give you financial advice. You can find a regulated adviser by visiting <https://register.fca.org.uk>

Options at retirement for your DC and AVC funds held in the Plan*

What are my options at retirement?

Do you have defined benefits as well as your DC and/or AVCs?

Yes

Your options at retirement are:

Fund your DB tax-free cash entitlement*

If you wish to take a tax-free lump sum, you could fund this by using the value of your DC fund or AVCs. By using your DC fund/AVCs to fund this, you will retain more of your pension from the main Plan.

If you do not wish to use all of your DC fund/AVCs to fund your tax-free cash entitlement from the main Plan, or if you have DC funds/AVCs left over having funded your tax-free cash entitlement from the main Plan, you can also purchase additional Plan pension or an open market annuity.

* This option is not available to some Rohm and Haas members. If you are unsure of whether this is available to you, contact the Scheme administrator:

Email: dowpensions@capita.co.uk

Phone: 0114 289 3377

Post: Capita Employee Solutions, PO Box 555, Stead House, Darlington, DL1 9YT

Purchase additional Plan pension

If you wish to increase the amount of Plan pension you receive, you can use the value of your DC fund or AVCs to purchase additional pension. For further information please contact your administrator (see contact details on page 8).

Open market annuity

You do not have to purchase an additional Plan pension. Instead, you can use your account value to purchase a pension for life, or annuity with an alternative provider by shopping around on the open market. You can tailor an annuity to suit your needs. As with the Plan pension, you may pay tax on your payments, but not National Insurance.

Transfer to an alternative arrangement

If you would like to do something different with your account, for example if you would like to use drawdown, you could transfer your account to an alternative provider.

Do you hold only DC benefits under the Plan?

Yes

Drawdown

If you wish to keep your pension account invested but take regular or one-off income from your account, you could opt for income drawdown. Your investment choice will be important to ensure you do not erode your capital. Please note that in order to access this, you would first need to transfer your account to an arrangement which supports drawdown.

Annuity

If you would like a guaranteed income for the rest of your life, like a traditional pension, you can use your account value to purchase an annuity. You can tailor an annuity to suit your needs and you may pay tax on your payments, but not National Insurance.

Cash

You can take up to 25% of the value of your account as a tax-free lump sum. You can take more than 25% of the value of your account as cash, but you may pay tax on anything above 25%.

You can also take a combination of these options. For example, you could take up to 25% of your pension account as a tax-free cash lump sum and access the rest via drawdown (having transferred to another provider).

Deciding on how to take your account is a significant decision and so you are encouraged to take financial advice.

If you are over age 50, guidance on your retirement options is available from Pension Wise. Go to www.pensionwise.gov.uk or call 0800 138 3944. You can also book a free guidance session by calling this number.

* These options are not available under the Plan for any funds you may hold under the Aon MasterTrust Plan.

Member-nominated Director **election**



The Trustee Directors wrote to all active members in June seeking applications for the vacant role of the 'Active Member Director' on the Trustee Board which was previously held by Anne Thompson.

We'd like to take this opportunity to thank Anne for her diligent and committed work whilst a Member-nominated Director. Anne's term of office expired in September following her four-year term of office.

Two nominations were received for the position and a selection panel, established by the Trustee Directors, came together in September to elect the new 'Active Member Director'.

We are pleased to announce that Mark Bradford has been appointed as the new 'Active Member Director' of the Trustee Board.

Mark is new to pension trusteeship but is keen to become involved and to work his way through the necessary training plans. Mark is the Regional Marketing Manager for the Lighting and Transportation Elastomers business.

There has also been a recent change to one of the Company-appointed Trustee Directors. Karl Evans has stepped down from his Trustee position due to an increase in his work commitments. The Company have appointed Rob Sparling as his replacement. As a Global Director of Portfolio Investments Rob will bring useful financial skills to the Board as well as providing another route to the senior corporate colleagues.

The full list of Trustee Directors is detailed below:

Company-appointed Directors
Andrew Jones
Julie Roberts
Gary Dunsford
Saltanat Weiss
Rob Sparling

Member-nominated Directors
Simon Upcott
Jonathan Godfree
Mark Bradford

Company/funding update

When we wrote to you in May we explained that we were working closely with our advisers and the Company to consider the appropriate actions to take for the Plan in the challenging environment caused by the impact of Coronavirus.

In June 2020 we met with Senior Leaders from the Dow Corporate Team to hear how the business had been trading and to learn more about future business planning. The Dow Corporate Team also provided further analysis on the possible effects of COVID-19 and the current market dynamics. We are now continuing our discussions with the Company about our longer-term funding plans to help to ensure the security of the members' benefits. We will keep you updated on these plans in future communications.

We have also continued to monitor with the help of our advisors the funding position of the Plan. We have recently received the latest quarterly funding update and are pleased to see that the impact on the Plan has been well managed.

The funding level of the Dow Section of the Plan was estimated as 101% at 31 December 2019 and at 30 June it was 95%. The assets of the Section have now recovered to £920m compared to £916m as at 31 December 2019.

For the DCL Section of the Plan the estimated funding position at 30 June 2020 is 108% compared to 106% at 31 December 2019. The market value of the assets increased to £587m at 30 June 2020 from £541m at 31 December 2019.

The funding positions of the two Sections will fluctuate independently as the Sections have different investment strategies.

Funding level

	At 30 June 2020	At 31 December 2019
Dow Section of the Plan	95%	101%
DCL Section of the Plan	108%	106%

Market value of assets

	At 30 June 2020	At 31 December 2019
Dow Section of the Plan	£920m	£916m
DCL Section of the Plan	£587m	£541m



Finances & funding

Summary of the results of the actuarial valuation

The formal triennial actuarial valuation as at **31 December 2018** was agreed and signed in March 2020.

This report showed that the funding level of the Dow Section of the Plan had improved to 92.8% from the level disclosed at the December 2016 Report of 85.4%. At 31 December 2018 the Scheme Actuary calculated the liabilities of the Plan as £986m compared to the market value of the assets of £915m. The Trustee and Company have agreed a recovery plan to remove this deficit by 28 February 2024. This plan includes an annual review of the funding position that triggers contributions from the Company. These contributions will be at least £5m per annum but could increase to £30m per annum until the funding level reaches 100%. Further information can be found at www.mydowpension.co.uk/news

The funding level of the DCL Section of the Plan disclosed in the report was 99%. This compares to the funding level in 2016 of 95%. The 2018 assets were valued at £483m and the Scheme Actuary calculated the Section's liabilities at £488m. The Trustee and Company have agreed a funding-based contribution plan. The position is reviewed every three months and Company contributions are triggered if the Section has a deficit. Further information can be found at www.mydowpension.co.uk/news

The funding of both sections relies on the vital financial support from the Company. The Trustees' 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 of the Plan 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 need to put in more money

The funding of both Sections will be reviewed more formally every year and the updated positions will be outlined in the Summary Funding Statements each year. These will be posted on the websites each year.

Now that the valuation has been completed, the Trustees and Dow are continuing to work together to formulate a long term funding target and investment strategy for both Sections of the Plan. This next step would enable the Plan to move to full funding on a lower risk basis such that the plan's future reliance on the Company would be minimal.

Environmental, Social & Governance (ESG) requirements and the update to the SIP

The Trustees have this year been considering how ESG considerations should be taken into account when agreeing the investment strategy. In line with our regulatory requirements we have looked at:

- How non-financial matters such as member views around ethical principles and social and environmental impact and present and future quality of life for members and beneficiaries should be taken into account
- Our policies in relation to the stewardship of investments, including engagement with managers and the exercise of voting rights

We recognise that ESG factors (including climate change) are important factors when we consider the long-term investment risks, and investment management approaches, along with the more traditional financial analysis as part of the investment process.

We have updated our Statement of Investment Principles to reflect ESG factors and this can be found at www.mydowpension.co.uk/news

State Pension **benefits**

Although many of you have built up pensions with Dow or other employers, the State Pension can be a valuable addition on top of your other retirement savings.

What is the State Pension?

The State Pension is a payment from the government that you receive when you reach State Pension age. How much you get will depend on how long you have been contributing towards it through National Insurance Contributions (NICs).

Am I eligible to receive the State Pension?

To be eligible you need at least 10 years' worth of NICs. To receive the full State Pension, you need 35 years' worth of NICs. Currently, the full State Pension is worth £164.35 per week.

When can I claim?

From October 2020, both male and females must be age 66 or over to claim for the State Pension. This is due to become 67 by 2028 and 68 between 2037 and 2039.

Where can I find more information?

You can find more information on your State Pension, including the amount you are forecast to receive, how you may be able to increase this and when you are due to receive this, by visiting www.gov.uk/browse/working/state-pension

Expression of wish forms: **a reminder**

We would like to remind members of the importance of completing an expression of wish form. In the event of your death, the Trustee has discretion about how to distribute any lump sum death benefits. An up-to-date expression of wish form will help the Trustee in deciding how to make those payments. The benefits are not subject to inheritance tax.

Members of the Dow Section of the Plan can update their expression of wish form through www.hartlinkonline.co.uk/mydowpension or request a paper copy of the form from Capita Employee Solutions, PO Box 555, Stead House, Darlington, DL1 9YT.

For members of the DCL Section of the Plan, in the event of your death prior to drawing a pension, any benefits related to AVCs which you paid would be assigned at the discretion of the Trustee. For this reason, it is important that an up-to-date expression of wish form is available. This can be found on the Plan website www.mypensiononline.com/dowcorning and, once completed, should be returned to the Plan Administrator. Completed forms will be scanned and held securely as an electronic copy rather than in paper form.

Members of the **AON Mastertrust** can update their expression of wish form through the personal pension page: <https://aonmt.tbs.aon.com> and return this to AON. This expression of wish form will also be used in case of death for paying out the lump sum.

Moving communications online

In the future we would like to communicate with you digitally as we see this as the most efficient and cost-effective way to keep you informed about your pension and the Plan.

What do I need to do?

We will notify members via email once documents are available to view so if you haven't already done so, please provide us with your private email address*.

For members of the Dow Section of the Plan, this can be done through www.hartlinkonline.co.uk/mydowpension

For members of the DCL Section of the Plan, this can be done by emailing your full name and date of birth with your email address to DCLPensions@aon.com

**this will enable us to keep in contact should you leave Dow in the future.*

Get in touch

Finally, we hope that you find this edition of Spotlight useful. If you have any questions about your benefits, or any of the topics covered in this document, please get in touch.

Lars Strijdonk is the main point of contact for active Plan members who are still building up pension benefits through their employment with the Company. If you would like to get in touch with Lars, please create an HR case via My HR portal.

If you are a pensioner or deferred pensioner of the Plan, or you are an active Plan member with a specific question about your own benefits, please visit the Plan's website at:

Dow Section of the Plan - www.hartlinkonline.co.uk/mydowpension

DCL Section of the Plan - www.mypensionline.com/dowcorning

Alternatively, you can contact the administrators who can help you with a range of things including:

- Requesting a retirement quotation
- Requesting a transfer quotation
- Updating your address
- General queries about the Plan

Considering transferring out?

If you are thinking about transferring out your benefits, please bear in mind that it can be a lengthy process which can take up to six months to complete. It may take longer if you are based outside the UK. Also the Plan, in most cases, cannot transfer out benefits after your Normal Retirement Age so it is very important to start the process early if you are approaching retirement.

Members of the Dow Section of the Plan

For the members of the Dow Section of the Plan, you can contact Capita by:

Email: dowpensions@capita.co.uk

Phone: 0114 289 3377

Post: Capita Employee Solutions, PO Box 555, Stead House, Darlington, DL1 9YT

Members of the DCL Section of the Plan

For the members of the DCL Section of the Plan, you can contact Aon by:

Email: DCLPensions@aon.com

Phone: 0345 6029505

Post: The Dow Services UK Pension Plan, Aon, PO Box 196, Huddersfield, HD8 1EG