



SPOT LIGHT

Dow Services UK Pension Plan Spring 2019

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Update on Trustee’s advisors

In February 2018, the assets and liabilities of the Dow Corning Ltd Pension Plan were transferred into the Dow Services UK Pension Plan. Benefits from both plans will now be paid from one trust, but split across two legally separate sections; the ‘Segregated Dow Section’ and the ‘Segregated DCL Section’ (previously the Dow Corning Ltd Pension Plan).

As part of the transfer, the Trustee board have been assessing their advisors in the Plan, and a summary of the current advisors is provided below:

Scheme Actuary and actuarial advisors to the Trustee board	Willis Towers Watson
Investment advisors to the Segregated Dow Section	Dow Finance Team
Investment advisors to the Segregated DCL Section	AON
Administrators to the Segregated Dow Section	Capita
Administrators to the Segregated DCL Section	AON
Secretaries to the Trustee board	AON
Legal advisors to the Trustee board	Sackers and Partners LLP*
Plan auditors	Deloitte
Covenant adviser	Lincoln Pensions

*The Trustees have recently carried out a full competitive review of their legal advisors and decided to replace the previous segregated Dow Section advisors, Travers Smith LLP, with Sackers and Partners LLP. Sackers were the incumbent legal advisors for the DCL Section prior to the merger.

The Trustees have a policy of keeping their advisors under review and carry out a full review of each advisor every few years or as is required.



Equitable Life **AVCs**

Important information for Plan members holding Equitable Life additional voluntary contributions (AVCs) who are considering taking benefits or transferring out

If you currently have AVC funds invested with Equitable Life, please read this carefully as it directly impacts you. This is of particular importance if you are considering taking your benefits or transferring out within the next 12 months.

The Trustee would like to bring to your attention an announcement made by Equitable Life in June 2018 concerning proposed changes to their business and with-profits policies. The proposal would result in capital reserves currently held by Equitable Life to meet future liabilities being freed up to be paid to with-profits policyholders. In summary Equitable Life's current proposal would:

- Increase the current 35% capital distribution (top up) paid when the with-profits policy is taken to a level expected to be between 60% and 70%;
- Close the with-profits fund and convert the with-profits policies to unit-linked policies (which means the guaranteed value of your policy and any future annual guaranteed investment returns would cease); and
- Transfer all policies to Reliance Life.

With-profits policyholders (the Trustee in your case as you are a member of a group arrangement) will be asked to vote on this proposal before it can go ahead. Equitable Life currently thinks that the vote will take place in the middle of 2019, and the proposal will then be put to the High Court for approval. If approved, the enhancement to your with-profits funds, and the removal of the future guaranteed investment return, would take place towards the end of 2019. The conversion and transfer of your policy to a unit-linked policy with Reliance Life would then follow.

We feel that you should be aware of this development, particularly if you are making decisions in the near future about taking these benefits or transferring them away to another arrangement. You may wish to speak with an independent financial adviser about any such decisions (further details are set out below) and any alternative options you may have including, for example, taking your main Plan benefits and deferring drawing your AVC benefits. Note that your ability to do this will be governed by the Rules of the Plan.

The Trustee of the Plan cannot provide financial advice or guidance to members and none of the information in this announcement constitutes financial advice or guidance. The Financial Conduct Authority website provides information in relation to finding a financial adviser at: [/www.fca.org.uk/consumers/finding-adviser](http://www.fca.org.uk/consumers/finding-adviser)

You are not required to take any immediate action as a result of the proposals. The Trustee will provide further information when this is available.

For more information on the above announcement, please visit:
www.equitable.co.uk/good-news-for-with-profits-policyholders/

For more information on the with-profits policy, please visit: www.equitable.co.uk/with-profits-fund/

Member-nominated Trustee elections

In 2019 the Pensioner Member-nominated Trustee will be up for re-election.

Could you be our next Member-nominated Trustee Director (MNTD)?

What are the responsibilities of a Trustee Director?

Trustee Directors are all equally responsible for the management of the Scheme in line with the Scheme Rules and legislation. They must all act prudently, responsibly, honestly and impartially, and always in the best interests of members.

They will make decisions across all aspects of managing the Scheme; from monitoring the administration service provided to members and making sure pensions are paid correctly and on time to considering the Scheme's investments and making sure they are appropriate and performing as required.

It's a challenging role that can often involve weighing up the outcome for individuals against the need to protect the security of all members' pensions.

More information about the Pensioner MNTD process will be made available later this year.

Member-nominated Trustee Director update

In July 2018, Simon Upcott was appointed as a new Member-nominated director to replace Mike Kitchen as the Dow Corning representative. Saltanat Weiss was appointed in November 2018 as a Company-nominated director to replace Jonathan Good. For more details please see the full announcement on the website for your section.



Finances & **funding**

The Plan's Summary Funding Statement – the Dow Section (as at 31 December 2017)

The Trustees are responsible for checking the Plan's funding; that is, how the money held by the Plan compares with the money needed to provide the benefits promised to members.

This section of Pensions Spotlight contains a Summary Funding Statement relating to the defined benefit (DB) section of the Plan. The Plan merged with the Dow Corning Limited Pension Plan at the end of January 2018, with two distinct Sections being 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 Plan.

The effective date of this Statement is 31 December 2017 (this is set by legislation). Since this 'effective date' is before the merger with the Dow Corning plan, this Statement considers only the assets and liabilities of what is now the Dow Section of the Plan.

The last Statement for the DCL Section was prepared as at 31 December 2016 when it was still the Dow Corning Limited Pension Scheme. The Statement that would have been due as at 31 December 2017 was not prepared due to the merger and impending wind up of the Dow Corning Limited Pension Plan.

Statements are provided roughly each year to all members of the defined benefit (DB) sections of the Plan and the Dow Corning Section will be included in the next Statement that we send you.

This Statement tells you about the health of the Plan's finances and sets out what action the Trustees are taking to ensure that the Plan can continue to pay members' benefits in full.

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 2016. Full actuarial valuations take place at least every three years. In addition, an interim valuation was carried out on 31 December 2017. Interim valuations are carried out between full valuations to give the Trustees and the principal employer, Dow Chemical Services UK Limited ('the Company') an annual estimate of the Plan's funding position.

Finances & funding

'Ongoing' valuation results

The table below shows the Actuary's findings for the 31 December 2016 full valuation and compares these with the results of the interim valuation estimate. These figures use the 'ongoing basis', which assumes the Plan will continue until the last member's benefits have been paid. The Plan's liabilities are calculated using certain assumptions about the future, including possible investment returns, member life expectancy and salary growth which are agreed between the Trustees and the Company as part of the full valuation.

These figures include the assets and liabilities held within the Dow Section's defined contribution (DC) section.

	Full valuation 31 December 2016 (£m)	Interim valuation 31 December 2017 (£m)
Total liabilities	1,062.70	1,074.00
Market value of assets	907.5	994.3
Ongoing funding level		
Combined Dow Section	85%	93%
Dow Section - DB benefits	83%	91%



What do these figures mean?

Over the period since the previous full valuation in 2016, the deficit on the 'ongoing' basis has decreased from £155.2m to £79.7m. This is largely due to positive investment experience and contributions paid by the Company. 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 Plan are calculated on a DB basis and so are not linked directly to the 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. However, if you have AVCs or benefits within the Dow Section's DC section, the value of these benefits will depend directly on the performance of the funds that you have chosen to invest them in.

Action points

Following the 31 December 2016 full valuation, the Trustees and the Company agreed a recovery plan, which aims to remove the deficit and bring the funding level up to 100% by 28 February 2024. The recovery plan will involve the Company paying additional contributions to the Dow Section each year (over and above any normal member contributions) of at least £5 million (up to a maximum of £30 million) until the funding level reaches 100%. The amount of these additional Company contributions will be calculated by reference to a set of target funding levels at each 31 December and will be paid by 28 February in the year following each 31 December actuarial update.

The Company paid additional contributions of £30m in February 2017 in accordance with the previously agreed recovery plan which was then still in force. The first payment from the new recovery plan set out above was calculated to be £16.1m and this was paid in February 2018.

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 2018.

Finances & funding

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 benefits as they build up;
- The funding level can fluctuate, and when there is a deficit (as there currently is), 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.

What if the Plan is wound up?

The Trustees must look at the ability of the Plan to pay benefits if it were to wind up (if the Plan were to close completely). In that case, no more money would be put into the Plan and no additional benefits, over and above those already earned, would be payable.

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 2016, was £1,351.7 million, compared to the estimated £1,062.7 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 £444.2 million (67% funding level for the combined Dow Section, 63% for the DB benefits only).

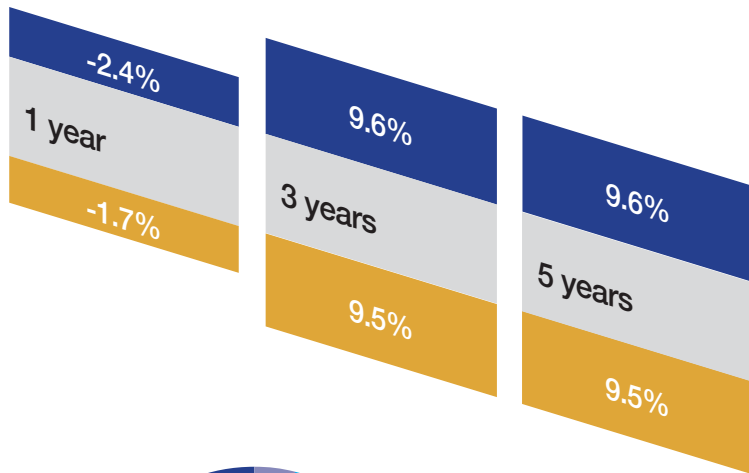
Please note that inclusion of this information is a legal requirement. It does not mean that the Trustees or the Company are thinking of winding up the Plan.

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.pensionprotectionfund.org.uk or write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

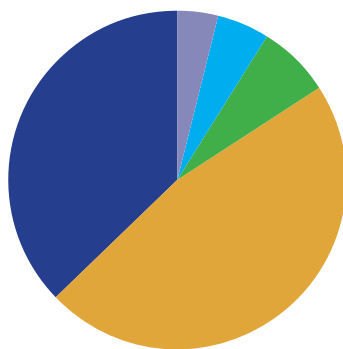
Investments **update**

A summary of the way in which the Plan's assets are invested is set out below. The Trustees have documented their investment strategy for the Plan in a statement of investment principles. If you would like a copy, please get in touch with the pensions manager (see back page).

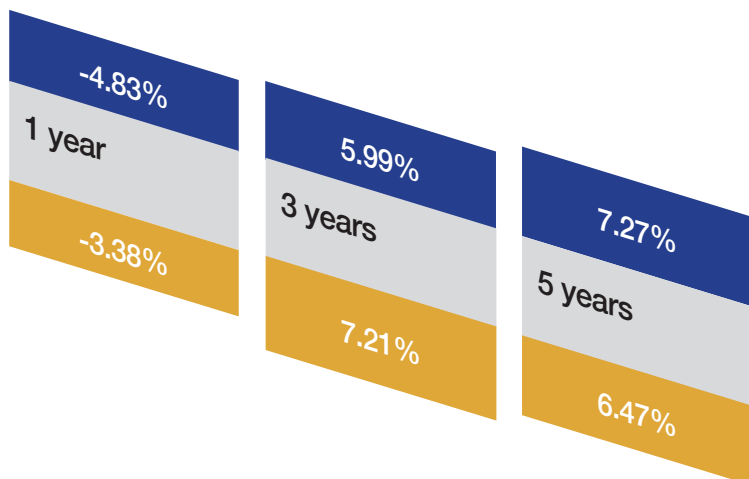


Segregated DCL Section

- Scheme Performance
- Benchmark



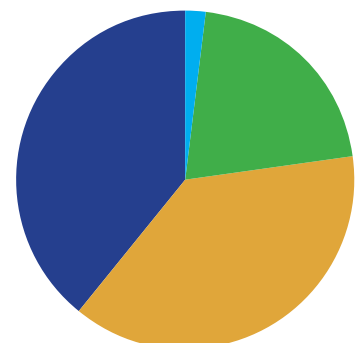
- Equities 37%
- Bonds 47%
- Property 7%
- Insurance-Linked Securities 5%
- Cash 4%



Segregated DOW Section

- Scheme Performance
- Benchmark

- Equities 39%
- Fixed Interest 38%
- Alternatives 21%
- Cash 2%



Jargon **buster**

Here are some common phrases that are often used about pensions and you may come across when learning about your pension:

Active member - An employee who joined/was auto-enrolled into the Scheme and continues to earn benefits.

Annual Allowance (AA) - The maximum amount that you can pay tax-free into all your registered pension arrangements per year. Any amount you pay over this allowance may attract tax charges. The AA is currently £40,000.

Annuity - A way of converting your pension account into an annual income. This is usually set up through an insurance company.

Annuity provider - Usually an insurance company that provides an income in retirement in exchange for a payment.

Basic State Pension - This is a flat-rate pension paid at State Pension age to a single person who has paid enough National Insurance contributions during their working life.

Deferred member - Someone who is no longer an active member, either because they have left the company or opted out of the scheme, but has not started taking their benefits.

Defined Contribution - a type of pension scheme based on a defined or set level of contributions to a pension fund. The level of a member's pension is determined by the contributions paid into the fund, investment returns and how much it costs to buy a pension when the member retires.

Dependant - Someone who is partly or wholly dependent on you. This usually covers children under the age of 18, spouses and civil partners.

Lifetime Allowance (LTA) - The maximum amount of pension benefits that you can build up tax-free over your lifetime across all pension schemes (excluding any State Pension) and is currently £1,055,000 for the 2019/20 tax year.

Money Purchase Annual Allowance (MPAA)

- The reduced annual allowance that applies to members who use their retirement savings using some of the new retirement flexibilities.

Normal Retirement Date (NRD) - The date from which you can take your pension without reduction for early retirement.

Reference salary - When an active member participates in salary exchange/salary sacrifice, the amount that the Company determines would have been their salary if they were not participating in salary exchange/salary sacrifice.

Salary exchange/salary sacrifice - A member agrees to 'give up' some of their salary, and in return, Dow put money into your pension account. Because this is taken out first, the salary you are being paid is lower, therefore you pay less National Insurance.

Tapered Annual Allowance (TAA) - The reduced Annual Allowance that is applied to people with combined earnings of £150,000 or over. The TAA reduces from the standard AA of £40,000 to £10,000 depending on the earnings level.

Target Retirement Age - This is the age at which you plan to retire. It can be any age between 55 and 75.

Transfer Value - This is the cash amount the Scheme will pay if you leave the Scheme and transfer the value of your benefits to your new employer's pension scheme, or personal pension arrangement. The new arrangement must be a recognised scheme under HM Revenue & Customs requirements.

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 Trustees have 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 Segregated 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 Segregated DCL Section, 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 in the forms section of the Plan website www.mypensionline.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* which for members of the Dow Services Section can be done through www.hartlinkonline.co.uk/mydowpension

For members of the DCL Section you can email the details to DCLPensions@aon.com

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

Audio version

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

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 email him at fpensuk@dow.com

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 Services UK Pension Plan members - www.hartlinkonline.co.uk/mydowpension

Dow Corning Ltd Pension Plan members - www.mypensionline.com/dowcorning

Alternatively, you can contact the Segregated Dow Section of the Plan administrator by:

Email: dowpensions@capita.co.uk

Phone: 0114 289 3377

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

For the members of Segregated 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

Thinking about leaving the Plan?

If you are thinking of leaving the Plan for any reason (including transferring out), you should consider talking to an Independent Financial Adviser before taking any action.

