ENGINEERING YOUR FUTURE

The newsletter for members of the Caterpillar Defined Contribution Pension Plan

2018

CATERPILLAR®

CATERPILLAR DC PLAN

KEEP YOUR PENSION SAVINGS SAFE

Welcome to the 2018 newsletter from the Trustees of the Caterpillar Defined Contribution Pension Plan. Since the last newsletter was issued, Jan Nicholls, our Trustee Chair, retired and her position has been filled by our long-standing MND, Anna Lee.

One of the key things to note this year is how members with pension pots have become targeted by companies trying to scam them out of their pension savings. The Trustees have strict processes in place to help protect members from these companies, however, it won't stop all scams from happening, especially if the member is insistent on transferring out their benefits.

When the Plan administrator gets a request from a member to transfer their benefits out of the Plan, they ask if financial advice has been sought and try to ensure that the money is only going to a bona fide pension scheme. However, it's also important that you know what to look out for, to protect yourself from being scammed. The article on the next page tells you more about what to look out for.

As well as helping you protect your pension savings, the Trustees also want to help you understand how to grow your pension savings. The article on page 4 explains why now is a good time to start thinking about paying more into your pension, if you are an active Cat employee; and on page 6 we explain the process for taking your benefits from the Plan, if you're thinking about retiring or taking a transfer option.

I hope you find this newsletter interesting and that it helps you understand how your benefits build up in the Plan. If you have any comments or suggestions for what we might include in a future issue, please get in touch with us using the details on the back page.

Anna Lee
Chairman of the Trustees

Pension scams on the rise

The rise in the number of people taking advantage of pension flexibilities has brought with it an increase in pension scams.

Scammers know you can access your savings in new ways and they are after your pension pot. According to a recent survey, almost one fifth of people aged over 50 (1.5 million individuals) were targeted by pension scammers between April and June last year.

If someone contacts you unexpectedly, claiming to be able to help you access your pension before the age of 55, it's likely to be a scam. The Pensions Regulator has published a list of warning signs to be aware of:

1. a free pension review
2. the promise of guaranteed returns on your investment
3. low tax/tax-free rates, including tax-free lump sums
4. exotic-sounding and/or overseas investments
5. pressure to sign up quickly to avoid missing out

Find out more about pension scams, including what to do if you think you are being targeted, at **www.pension-scams.co.uk**

INSIDE THIS ISSUE

PUT A SPRING IN YOUR RETIREMENT PLANS

April is the month when, historically, Caterpillar employees receive their annual pay increases. This is an ideal time to consider whether you could afford to pay more into your pension – before you have a chance to miss the extra money in your pay cheque!

GB employees

Caterpillar will double-match your contributions up to 5%. So, if you pay an extra 1% into your pension you'll actually see an extra 3% going in:

You pay	Caterpillar pays	Total
3%	6%	9%
4%	8%	12%
5%	10%	15%

Want to pay more?

Just download a Contribution Change Form from our website:
www.mycatpension.co.uk

NI employees

The Company contributes 6% into your pension. The minimum contribution you can pay is 3%, but you can help to build your savings by paying more. Tax relief and salary sacrifice mean it will cost less than you think.

Remember that your pension contributions enjoy tax relief, so every additional pound you pay into your pension only costs you 80p (or less for higher earners). And if you pay contributions through Salary Sacrifice, this will reduce your National Insurance payments too – so you'll have more in your take-home pay. The example below shows how this works for someone paying a 5% contribution into their pension:

Gross salary	£30,000
Gross cost per month	£125 (5%)
Less 20% tax relief	£25
Net cost	£100
Less Salary Sacrifice saving	£15
Actual cost to the member	£85

Save more tax?

Pension contributions can also be used to manage the amount of tax you pay. For example, if your salary is close to a higher rate tax threshold, or if you're close to the £50,000 limit at which you start to lose Child Benefit, you can use your pension contributions to bring your gross salary below that threshold and save tax. It's quite a complex area so you should speak to an independent financial adviser first if you think this might apply to you.

THE RETIREMENT PROCESS

For members approaching their normal retirement date – or perhaps thinking about taking an early retirement – we thought we'd provide a summary of what happens when.

Around six months before your normal retirement date (or your selected retirement date, if different), the Plan administrator will send you a wake-up pack (or on request, if you contact them to say you're thinking about retiring early).

This pack doesn't include any forms, but it will tell you how much you have saved up in the Plan and give details of what to do next.

As a reminder, in a DC arrangement, you can currently take up to 25% of your pension pot as a tax-free, cash lump sum and then take the remainder in one of the following ways, subject to income tax. You can:

- buy an annuity (a pension), which provides a regular income for life
- take income from a 'drawdown' arrangement, where you withdraw flexible amounts as and when you need to*
- take a cash lump sum*
- take a mix of the above options.

The wake-up pack will also give you details of where to find out more about your options, to help you decide:

- Pension Wise – a free, impartial government service (**www.pensionwise.gov.uk**)
- Hargreaves Lansdown – appointed by the Trustees to provide you with an award-winning retirement service (**www.retirementservice.co.uk/cat**)

Once you have spoken to someone at Hargreaves Lansdown, Pension Wise or your own financial adviser, if you prefer, and made your decision, you need to contact the Plan administrator to tell them what you would like to do: retire or take a transfer. However, you might decide you're not ready to retire yet, in which case you don't need to do anything.

*Please note that the Plan does not permit members to take their pot directly from the Plan at retirement as cash or drawdown. You would need to transfer out your pot to another pension provider.

Once the Plan administrator has received your request to retire or transfer, they will send you an application form so you can select your chosen option. Please make sure you read all the information about risk warnings and confirm you have taken financial advice.

Complete the forms and provide any additional documents that you have been asked for; if you don't, it could delay payment of your benefits.

The Plan administrator will then process your request and send you a letter confirming what has been agreed.

Please allow at least three months to process your request. This allows time to receive final contributions, arrange the application with Hargreaves Lansdown, disinvest funds and pay benefits.

If you intend to take your benefits in the Plan but carry on working for the Company, you will need to complete a Plan Withdrawal Form, which can be found under the 'Plan documents/Forms' section on **www.mycatpension.co.uk**

PLAN NOTICEBOARD

Looking after your data

In May this year, new rules governing data protection come into force. The General Data Protection Regulation (GDPR) is being introduced throughout the EU and will continue to apply in the UK after Brexit. It brings data protection law up to date for use in the digital age.

In order to run the Plan and pay members the correct benefits, the Trustee needs to hold and process some personal data for members, such as your name, date of birth, National Insurance number and salary.

What will it mean for you?

In terms of our Plan, the GDPR places stricter requirements on the Trustee in its role as a 'data controller' about how your personal data is held, processed and shared with others, such as the Plan administrator and other professional advisers like the Plan actuary.

The GDPR also requires the Trustee to be transparent about the data it holds about you, which means you can ask to see the data we hold and for inaccuracies to be corrected.

Please see the letter enclosed with this newsletter for an explanation of what this means for you. You can also find more detailed information about how we look after your personal data in our Data Privacy Notice on the Plan website, **www.mycatpension.co.uk** (in the Library section). We would encourage you to read the Data Privacy Notice, as well as check it from time to time for any updates.

Changes to State pension age

The government has announced that it intends to bring forward plans to raise the State pension age to 68. Originally set to be introduced between 2044 and 2046, the increase to 68 will now take place seven years earlier between 2037 and 2039. People born between 6 April 1970 and 5 April 1978, currently aged between 39/40 and 47/48, will be affected by this change.

An update on tax allowances

The Annual Allowance (AA) is a limit on the tax-relieved pension savings you can build up in one tax year. The standard AA is currently £40,000. The Money Purchase Annual Allowance (MPAA) applies if you have withdrawn any pension benefits flexibly. The MPAA is lower than the standard AA; with effect from April 2017, the MPAA stands at £4,000.

There is also a Tapered AA that applies to high earners. So, if you have taken any of your benefits using the pension freedoms, or if you're a high earner with an annual income of £110,000+, you need to keep a close eye on how much you're saving into your pension each year. (When working out your AA, remember to include all your pensions, not just your Caterpillar pension.)

If you exceed your AA, you can in most cases use any unused AA from the previous three years to avoid paying a tax charge. If a tax charge is inevitable, you can also, in some cases, request that the Plan pays for it on your behalf (called 'Scheme Pays'), where you exceed the standard £40,000 AA and face a tax charge in excess of £2,000). The Pensions Team will write to people who exceed the standard £40,000 AA, asking if they wish to pay the tax by reducing their pension benefits. These letters are usually posted by 6 October each year. Your pension from the Plan would be reduced if you went down this route.

However, if the Tapered AA applies to you, any tax bill incurred on excess payments of between £10,000 and £40,000 has to be declared on your Self-Assessment tax return and paid by you by 31 January. This cannot be paid through 'mandatory' Scheme Pays referred to in the paragraph above.

The Pensions Team has produced an explanatory factsheet, available on **www.mycatpension.co.uk** (in the Library section).

THE TRUSTEE BOARD

The DC Plan is run by a Board of Directors which includes four Company-appointed Trustee Directors and four member-nominated Trustee Directors. You can find out more about each of the Trustees on the member website.

There were no changes to the Trustee Board during the year to 30 September 2017.

Company-Appointed Trustee Directors

Jan Nicholls (Trustee Chair) – retired 31 January 2018

Barbara Henry

Adam Lambert

Robin Woodward

Daryl Steele – appointed 14 March 2018

Member-Nominated Trustee Directors (MNDs)

Paresh Desai

Adrian Forrester

Anna Lee – appointed Trustee Chair

Nick Morgan

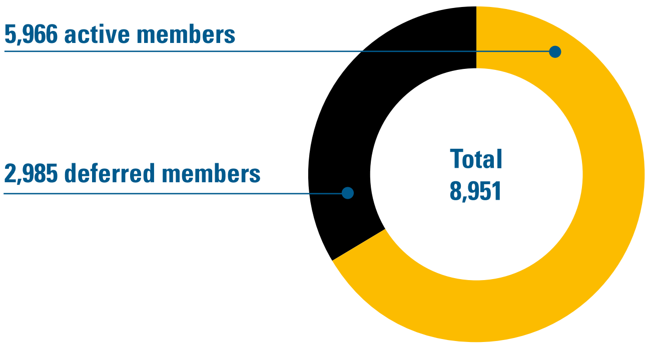
Running a pension scheme is no easy task, and it involves many different areas that require specialist expertise – investment, administration, legal, regulatory, to name just a few. The advisers to the Trustee Directors are experts in their field and help to make sure the Plan is well run in every way:

Administrator	Capita Employee Benefits Limited
Auditor	PricewaterhouseCoopers LLP
Legal adviser	Slaughter and May
Investment adviser	Mercer Limited
Bankers	HSBC plc Royal Bank of Scotland
Investment manager	Legal & General Investment Management

THE PLAN IN NUMBERS

At 30 September 2017, the Caterpillar DC Pension Plan was worth £389 million – an increase of almost £59 million over the previous year.

DC Plan at the start of the year		**£330,094,000**
IN	Total income	£30,097,000
OUT	Total expenditure	£15,774,000
+	Increase in market value of investments	£44,530,000
+	Investment income	£9,000
DC Plan at the end of the year		**£388,956,000**



IN

Company contributions	£23,248,000
Member contributions	£2,003,000
Member voluntary contributions	£1,025,000
Payments from insurance companies	£3,821,000

OUT

Annuities bought	£903,000
Lump sums at retirement	£303,000
Death benefits	£766,000
Refunds to leavers	£28,000
Transfers to other plans	£10,642,000
Investment management costs	£516,000
Administration expenses	£827,000
Payments to insurance companies	£1,789,000

These figures are taken from the Plan's formal annual report, which is audited by PricewaterhouseCoopers LLP to ensure it gives a fair and true reflection of the Plan's financial position. Previous years' reports are available from the Pensions Team.

CONTACT US

You can contact the Plan's administrator, Capita, in any of the following ways:

by telephone on **0114 229 7899**

by email on **caterpillar@capita.co.uk**

by letter to **Caterpillar DC Pension Plan, Capita, Hartshead House, 2 Cutlers Gate, Sheffield S4 7TL**

When making any decisions about your level of contributions into the Plan or the investment of your account, we would recommend that you consider seeking independent financial advice from an independent financial adviser. If you do not have a financial adviser, the government's Money Advice Service provides free and impartial information on choosing a financial adviser and links to details of financial advisers. The Money Advice Service website, www.moneyadviceservice.org.uk, also has lots of information about personal pensions and choosing investments. All information in relation to taxation, National Insurance and the State pension scheme have been provided in good faith as at the date of publication of this newsletter, but no representations are given as to its accuracy. It is recommended that you check any information before relying on it. Please note that this newsletter does not confer rights to benefits. Rights to benefits are conferred only by the Trust Deed and Rules of the Plan, as from time to time amended.

DATA PROTECTION · THE ENVIRONMENT

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www.wordshop.co.uk

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