

ENGINEERING YOUR FUTURE

The newsletter for members of the Caterpillar Defined Contribution Pension Plan

2016



CATERPILLAR[®]

CATERPILLAR DC PLAN



A(NOTHER) YEAR OF CHANGE

It certainly has been a busy year since I wrote to you last. In 2015, choice and flexibility were the buzzwords; now, in 2016, it looks like the focus is on tax relief and tax allowances.

As Trustee Directors who run the Plan, it is vital that we keep up to speed with all of the changes that are taking place in the pensions industry. We're lucky to have excellent advisers who can give us guidance on the changes and what they mean for both the Plan and you, its members. But we also want our members to be able to get the latest news when it happens – rather than waiting for an annual newsletter like this one. That is one of the reasons we have set up a dedicated pension website for members, www.mycatpension.co.uk. You can find out more about the website on page 6 – and once you've had a look online, please do let us know what you think. Don't worry though, we will continue to send out our annual newsletter.

As usual, this newsletter includes a summary of the Plan's financial transactions over the year to 30 September 2015.

I hope this newsletter helps you understand a little better how the Plan is managed. 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.

Jan Nicholls
Chairman of the Trustees

Have you told us your wishes?

The Plan provides a valuable death benefit for members, paying a substantial lump sum if you die whilst you are still employed by Caterpillar, as well as a refund of contributions. It is very important that you let us know who you want to receive this money; the Trustee does not have to follow your wishes but they must take them into account when paying out this lump sum. By allowing the Trustee discretion over this payment, it can be made free of inheritance tax. So please make sure your Beneficiary Nomination form is updated whenever your personal circumstances change – when you get married, divorced or have children, for example. You can ask Capita, the DC Plan administrator, to send you a new form whenever you need one. Their contact details are given on the back page.

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2016 PENSIONS CHANGES

Another April means more changes to pensions rules and regulations. We have summarised the key points here...

Changes to pensions tax allowances

As an active member of the Plan, you receive tax relief on any pension contributions you pay at your highest marginal rate. This means that on earnings on which you would otherwise pay tax, you save that tax on any pension contributions you make. So if you are a basic rate tax payer, it only costs you £80 to contribute £100 to your Caterpillar pension.

How much can I pay into my pension each year?

There is no limit on the amount of pension that you can build up each year. However, the maximum amount that can be saved tax-efficiently in each tax year is restricted to an Annual Allowance. This is currently £40,000.

Most people's pension savings are a lot less than £40,000 a year. However, from 6 April 2016, the Annual Allowance was

changed to a tapered allowance which could be as low as £10,000. The changes will only affect some employees who have annual income over £110,000 (including income from investments, buy-to-let property and private businesses but excluding any pension contributions).

What is the maximum pension I can build up during my lifetime?

There is no limit on the amount of pension you may build up. However, there is a restriction on the amount of pension savings you may build up in a tax-favoured environment. This limit is known as the Lifetime Allowance. From 6 April 2016, the Lifetime Allowance was reduced to £1 million. This is equivalent to a total pension of about £50,000 a year.

The Lifetime Allowance is calculated at the point you withdraw the money in your pension pot, and is the total of all your pension arrangements, apart from the State pension.

You might be surprised to know that if you have a large amount saved in a DC pension pot already, high investment growth in the future could potentially push you over the £1 million limit – even if you stop paying contributions! For example, someone retiring in 10 years' time, who has around £600,000 in a DC pension pot, could expect to hit the LTA if their pot grows by just 5% a year.

Need more information?

Our new pension website is your first port of call for more information about the pensions tax allowances – and how you can protect yourself against potential tax charges if you exceed the Lifetime Allowance.

Go to: www.mycatpension.co.uk

New State Pension

At the moment, there are two parts to the current State pension – a basic State pension (currently £119.30 per week) and an additional earnings-related part (which can pay up to about £100 per week). For people reaching State pension age on or after 6 April 2016, there will be one State pension, generally worth £155.65 a week. You may not get the full amount if you were ever contracted-out of the earnings-related part of the State pension, or if you have less than 35 years of qualifying National Insurance credits.

Want to know more about the new State pension? Go to: www.gov.uk/new-state-pension

YOUR CAT PENSION – NOW ONLINE

Our new website has just been launched, providing a one-stop shop for all Caterpillar's current and former employees who want to find out more about their pension and retirement.

The website has been designed using the latest technology, which means you can browse it from your tablet or smartphone, as well as on a PC, on the go or at home.

The great thing about the new website is that you only need to remember one address: **www.mycatpension.co.uk** – from there, you can easily get to Capita's secure member website, to view your own individual pension details. You will still be able to access your DC member website from Cat@work if you wish.

The site is packed with loads of useful resources, helping you to **LEARN** about your Plan, **MANAGE** your individual account, and **PLAN** for the future. As well as a library of documents and forms, the website also has links to videos that explain a little more about pensions basics.

And we're planning more updates in the months to come, to keep the site interesting and useful. Things we are considering include a budgeting tool to help you work out what sort of income you should be aiming for when you stop working, a simple planner to help you understand how you could save more towards your retirement, and links to sites with ideas for planning for your retirement.



www.mycatpension.co.uk

HOW HEALTHY IS YOUR PENSION?

In a DC pension like ours, the amount that you get when you retire is calculated on the basis of:

- How much was paid in.
- How well the investments have done.
- How you decide to take the money, e.g. as regular payments, or as a lump sum.

So, the more you put into your pension pot, the more that can be invested towards your retirement.

We know it can be hard to find the extra money to pay into your pension, but even small savings can build up over time to improve the health of your pension!

For example (and assuming investment returns of 5%), paying the price of one chocolate bar a week into your pension for 35 years could give you an extra £2,400 to spend. But if you started just 10 years from retirement, you would only have £334 more in your pension pot – which shows why it pays to start saving early!



PLAN NOTICEBOARD



The Trustees have added two more funds to the DC Plan investment range – a UK Smaller Companies Fund and a Property Fund. Both funds already form part of the Diversified Growth Fund, but now members who prefer to choose their own funds have the option to invest directly in them.



Pension transfers

You have a legal right to transfer your pension benefits to another registered pension scheme if you so wish, and Capita can provide a quotation on request. However, please note these two important points if you are considering transferring your benefits:

- **Pension scams.** If someone contacts you claiming to be able to help you 'release' or 'free' your pensions savings before age 55, please be very careful. Many people have lost all their pensions savings to these scammers – and have had to pay a huge tax penalty as well. Find out more by visiting www.pension-scams.com
- **Transferring your benefits overseas.** If you transfer your Plan benefits to an overseas pension scheme that is not recognised by HMRC as being a 'qualifying' scheme, then you face an additional tax charge. HMRC has made it the transferring scheme's responsibility to check whether the overseas scheme is a 'qualifying' scheme and so, if Capita cannot adequately identify it as such, they have been instructed by the Trustee not to proceed with the transfer.

THE TRUSTEE BOARD

The Trustee Directors are responsible for managing the Plan so that it can continue to pay the benefits that have been promised to members. The Trustee Board is made up of Company-Appointed Trustee Directors as well as Member-Nominated Trustee Directors.

There were no changes to the Trustee Board during the year to 30 September 2015.

Company-Appointed Trustee Directors

Jan Nicholls (Chairman)	Barbara Henry
Adam Lambert	Robin Woodward

Member-Nominated Trustee Directors (MNDs)

Paresh Desai	Adrian Forrester
Anna Lee	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

Auditor PricewaterhouseCoopers LLP

Legal adviser Slaughter & May LLP

Investment adviser Mercer Limited

Bankers Royal Bank of Scotland

Investment managers

Legal & General Investment Management

You can find out more about your Trustee Directors on the new Caterpillar member website:

www.mycatpension.co.uk

THE PLAN IN NUMBERS

At 30 September 2015, the Caterpillar DC Pension Plan was worth £263.3 million – an increase of £21 million over the previous year.

Plan at the start of the year	£241,930,000
IN Total income	£34,341,000
OUT Total expenditure	£13,285,000
+ Increase in market value of investments	£357,000
+ Investment income	£8,000
Plan at the end of the year	£263,351,000

IN	
Company contributions	£24,365,000
Member contributions	£1,333,000
Transfer in	£4,064,000
Other income	£4,579,000

OUT	
Annuities bought	£1,332,000
Lump sums at retirement	£1,112,000
Death benefits	£1,929,000
Payments to leavers	£6,248,000
Investment management costs	£395,000
Administration expenses	£668,000
Payments to insurance companies	£1,601,000

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.

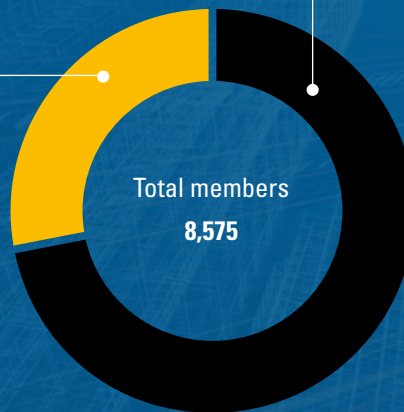
WHO'S IN THE PLAN?

The Caterpillar DC Pension Plan provides benefits to over 8,400 members. These include:

6,189 active members

2,386 deferred members

During the year, just over 1,600 members joined the Plan from Caterpillar (NI) Limited. If you're in the NI 'Production and Salaried' employee group, the contribution to your Plan from the Company recently increased from 4% to 5%, and it will increase again in April next year to 6%, so that everyone's minimum contribution from the Company is the same.



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.



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