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**Caterpillar  
North East  
Section**

# The Caterpillar Pension Plan

**December 2007**



## **Any questions?**

We have tried to keep the explanation of the benefits as simple as possible, so you should consider this booklet as only a guide to the Caterpillar North East Section of the Caterpillar Pension Plan.

Although every effort has been made to ensure that it is accurate, this booklet cannot include every detail and does not confer any rights to benefits under the Plan. It will, therefore, be overridden by the Trust Deed & Rules of the Plan, as from time to time amended, should there be any discrepancy between the two.

Pensions are complex and, after reading this booklet, you may still have questions about the Plan or your own benefits. If so, please contact:

***The Pensions Department***

***Caterpillar UK Shared Services***

***Vicarage Farm Road***

***Eastfield***

***Peterborough PE1 5NA***

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***<https://caterpillar.pensiondetails.co.uk>***

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**This booklet describes the benefits offered by the Caterpillar North East Section of the Caterpillar Pension Plan.**

## **A full range of benefits**

The Caterpillar North East Section of the Caterpillar Pension Plan not only provides retirement benefits for you and your family at Normal Retirement Age (65), but also offers:

- ◆ *Protection if you have to retire early as a result of illness or incapacity*
- ◆ *Protection for your family if you die during the time you are employed by the Company*
- ◆ *The possibility of taking early or late retirement*
- ◆ *The opportunity to increase your benefits by paying Additional Voluntary Contributions, if you wish*
- ◆ *Protection of the benefits you have earned with the Company if you decide to leave to work somewhere else*

## **Alternatives to the Caterpillar Pension Plan**

Although it is not compulsory for you to be in the Caterpillar Pension Plan, you must be in some form of pension scheme. One alternative to being in the Plan is to arrange your own personal or stakeholder pension outside the Company. However, with this, you are on your own. The Company will not make any contribution and you will have to pay administration costs and, possibly, commission too. You will miss out on the contributions which the Company pays towards its own Pension Plan. You will also lose valuable death and ill-health benefits.

If you are not in the Caterpillar Pension Plan and you do not arrange to be contracted out through your own personal or stakeholder pension, you will be included automatically in the State Second Pension. However, this option is not free, since being in it means that you will have to pay higher

National Insurance contributions. Moreover, the State Pension Scheme alone will provide only a modest pension and none of the extras you get as a member of the Caterpillar Pension Plan, such as the death and ill-health benefits.

### **Contracted out of State Second Pension**

As a member of the Caterpillar Pension Plan, you will be contracted out of the State Second Pension. This means that you do not earn any State Second Pension while you are a member of the Plan and, as a result, you pay National Insurance contributions at a lower rate.

Contracting out does not, however, affect your entitlement to the State Basic Pension. More information about contracting out is provided on page 7.

### **AVCs**

This booklet contains an outline of the Plan's Additional Voluntary Contribution (AVC) Scheme which allows you to pay extra contributions in order to provide additional retirement benefits for yourself and your dependants (*see page 10*).

### **HM Revenue & Customs (HMRC)**

The Caterpillar Pension Plan is registered with HMRC under the new tax regime for pensions which was introduced on 6th April 2006. As a result, the members and the Company receive full tax relief on their contributions to the Plan. Also, a favourable tax regime applies to the Plan's investments.

In return for these reliefs, HMRC imposes limits on the amount of benefits an individual can build up in a tax-efficient manner in each tax year as well as over their whole working life. You will find more information about the current HMRC limits on pages 10 and 14.

### **Summary of benefits**

There is a summary of the Caterpillar Pension Plan on the next two pages and several examples throughout the booklet which illustrate how the Plan works.

The Caterpillar North East Section of the Caterpillar Pension Plan is summarised below. If you would like more information about a particular topic, please refer to the pages shown.

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## **Contributions**

**page 8**

You contribute 5½% of your Pensionable Pay but you receive full tax relief on your contributions. The Company undertakes to pay the balance of the cost of providing all the benefits promised.

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## **Additional Voluntary Contributions**

**page 10**

You may pay Additional Voluntary Contributions (AVCs) in order to increase your benefits at retirement. AVCs enjoy certain tax advantages.

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## **Pension at normal retirement**

**page 12**

At Normal Retirement Age, you will be entitled to a pension based on a fraction (1/60th) of your Final Pensionable Pay and on your period of membership of the Plan.

**Note:** For former “Works” members of the Plan, the fraction used to calculate the pension earned for Pensionable Service before April 1995 is 1/80th.

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## **Tax-free cash sum**

**page 16**

You will normally have the option to exchange part of your pension for a tax-free cash sum at retirement.

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## **Early retirement**

**page 17**

With the Company’s agreement, you may retire early with an immediate pension. Depending on the age at which you retire, your pension may be reduced to take account of the longer payment period. Currently, you can retire from age 50 provided that the Company agrees. However, the statutory minimum retirement age will be raised to 55 from April 2010 (though retirement below 55 may be allowed in cases of serious ill-health). From the age of 60, you may retire without the Company’s agreement.

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## **Ill-health retirement**

**page 19**

If you have to retire because of ill-health or injury, you will receive an immediate pension, subject to medical evidence and provided that the Trustees agree. There will be no reduction for early payment.

## Death in service

page 20

If you die in service, a tax-free lump sum is payable to your dependants equal to three times your Pensionable Pay plus a refund of the contributions you have paid to the Plan.

**PLUS** Pensions are payable to your widow, widower or civil partner as well as to up to four dependent children. If there is no widow, widower or civil partner, the Trustees have discretion to pay a pension to other dependants, such as a common law spouse or dependent parents.

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## Death after retirement

page 22

If you die after retirement, a pension is payable to your widow, widower or civil partner. If there is no widow, widower or civil partner, the Trustees have discretion to pay a pension to other dependants, such as a common law spouse, dependent children or dependent parents.

**PLUS** If you die within 5 years of starting to receive your pension, a lump sum equal to the discounted value of the unpaid balance of five years' pension payments is payable to your dependants as a tax-free lump sum.

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## Pension increases

page 24

All pensions in payment are guaranteed to be increased each year.

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## Leaving the Company

page 26

If you leave the Company with more than two years' Qualifying Service, you can either choose a pension from the Plan payable when you retire or transfer the value of your pension to another approved arrangement.

If you are aged 50 or over when you leave, you may take an immediate pension, provided that the Trustees agree.

Although the Caterpillar Pension Plan has contracted out of part of the State Pension Scheme (*see next page*), it is still important to know what the State Scheme provides for you and your dependants. For many people, the State pension will represent a significant part of their retirement income.

## State Pension Age

State pensions are payable from State Pension Age which is currently 65 for men and 60 for women but which will be equalised at 65 for both. This change will be phased in over a 10-year period from the year 2010 with the following effect:

Woman's birth date	Age she receives State pension
Before 6 Apr '50	Age 60
Between 6 Apr '50 and 5 Apr '55	Age 60 plus one month for each month or part-month her date of birth falls after 5 Apr '50
After 5 Apr '55	Age 65

Furthermore, the State Pension Age for both men and women is to increase from 65 to 68 between 2024 and 2046, with each change being phased in over two consecutive years in each decade. The first increase, from 65 to 66, will be phased in between April 2024 and April 2026; the second increase, from 66 to 67, will be phased in between April 2034 and April 2036; and the third, from 67 to 68, will be phased in between April 2044 and April 2046.

## State Basic Pension

The State Basic Pension is a flat-rate amount which almost everyone at work must contribute to by paying the appropriate National Insurance contributions. If you do not have a complete National Insurance record, you may be entitled to a proportion of the full State Basic Pension.

The State Basic Pension is reviewed by the Government each year and is normally increased in line with the Retail Prices Index.

For 2007/2008, the full State Basic Pension is:

**£87.30 a week (£4,540 a year) – single person**  
**£139.60 a week (£7,259 a year) – married couple**

## State Second Pension

The State also provides a Second Pension for those who pay the required National Insurance contributions.

The Caterpillar Pension Plan has exercised the option of contracting its members out of the State Second Pension and, instead, provides benefits through the Plan itself. Because you are contracted out, you do not earn a full State Second Pension in respect of the period for which you are a member of the Plan. As a result, both you and the Company receive a **National Insurance contribution rebate**. As at 6th April 2007, your own saving in National Insurance contributions amounts to 1.6% of your earnings between £100 and £670 a week if you are weekly paid and between £435 and £2,904 if you are monthly paid.



## Contracting out

In order to be able to contract out of the State Second Pension, the Caterpillar Pension Plan must fulfil certain statutory requirements:

### **Up to 5th April 1997**

For Pensionable Service **up to 5th April 1997**, the Plan undertakes to pay you a pension which is at least equal to what is called the **Guaranteed Minimum Pension (GMP)** and to pay your widow or widower (or civil partner, but only in respect of service from 6th April 1988) a pension based on your GMP at the date of death. The GMP is broadly equivalent to the State Second Pension which would otherwise have been paid.

### **From 6th April 1997**

For Pensionable Service **from 6th April 1997**, the Plan is not required to provide a GMP but any GMP earned for service before that date will remain in force and will still form part of your pension.

Instead, from 6th April 1997, the Plan has to pass a “quality test”, known as the **Reference Scheme Test**. This requires it to pay benefits for the majority of members which are broadly equivalent to, or better than, those of a statutorily-defined “Reference Scheme”.

## State Basic Pension not affected

Contracting out does not affect your entitlement to the State Basic Pension.

## State pension forecast

Most members will find a forecast of how much pension they are likely to receive from the State as part of their annual Benefit Statement. In addition, these same members will find their latest forecast on the Pensions Website **<https://caterpillar.pensiondetails.co.uk>** – just click on “MY BENEFITS”.

If you do not receive this forecast as part of your annual Benefit Statement and would like to, you should contact the Pensions Department at Peterborough. Alternatively, you can complete Form BR19 which is available from the Pensions Department. You can also complete this online at [www.thepensionsservice.gov.uk](http://www.thepensionsservice.gov.uk) (click on *State Pension Forecast*, then on *How do I apply?*).

## Note for married women paying reduced NI contributions

If you are a married woman or widow who elected to pay National Insurance contributions at the special reduced rate (“E rate”), you will not normally receive a State Basic Pension (although your husband may be entitled to an additional State pension for you). You will, however, qualify for the full range of Plan benefits, as described in this booklet.

## Your contributions

As a member of the Caterpillar Pension Plan, you pay:

**5½% of your Pensionable Pay**

## Pensionable Pay

Pensionable Pay is your total earnings for each tax year, as fixed on 1st September following the end of that tax year.

## Tax relief and NI saving

You will automatically receive tax relief on your contributions (at your highest rate of tax) at the time they are paid. This is achieved by deducting your contributions from your pay before calculating the tax on the remainder.

Because the Caterpillar Pension Plan is contracted out of the State Second Pension, you also qualify for a saving in National Insurance contributions (*see page 6*).

## This example illustrates the net cost of membership of the Plan

	Example	Notes
Pensionable Pay <i>(see definition on the left)</i>	£288 a week	In this example, we assume a member earning £288 a week (or £15,000 a year)
Contributions to the Plan	£15.84 a week	You pay 5½% of your Pensionable Pay $5\frac{1}{2}\% \times £288 = £15.84$ a week
<b>LESS</b> tax relief	£3.48 a week	Assumes basic income tax rate of 22% $22\% \times £15.84 = £3.48$ a week
<b>LESS</b> saving in National Insurance contributions (1.6% of earnings between £100 and £670 a week – <i>see page 6</i> )	£3.01 a week	$£288 - £100 = £188$ $£188 \times 1.6\% = £3.01$ a week
<b>Actual cost</b>	<b>£9.35 a week</b>	$£15.84 - £3.48 - £3.01 = £9.35$ a week This is equivalent to around 3¼% of £288 a week

## **The Company's contributions**

The Company undertakes to pay the balance of the cost of the Plan's benefits. It is the job of the independent actuary appointed by the Trustees to check the financial position of the Plan and to advise on the contributions the Company should pay. The amount paid by the Company may go up or down from time to time depending on the rate of return on the Plan's assets, the rate of pay increases and a number of other factors.

## **How the benefits are financed**

The contributions paid in to the Plan by the members and the Company are used to buy a wide range of investments which produce the income and capital growth out of which the benefits are paid. In other words, the Trustees are building up assets now to meet the cost of benefits which will become payable in the future.

## **Paying Additional Voluntary Contributions**

As a member of the Caterpillar Pension Plan, you have the opportunity to pay Additional Voluntary Contributions (AVCs) in order to increase your benefits at retirement. You will find more information about AVCs on the next page.

## **Paying into other pension arrangements**

You can, if you wish, take out a personal or stakeholder pension plan at the same time as paying your regular contributions (and AVCs) to the Caterpillar Pension Plan. Indeed, you can contribute to as many pension arrangements as you wish, up to 100% of your earnings (or, if higher, £3,600) each tax year. Normally you will get full tax relief on these contributions at your highest rate of tax.

HM Revenue & Customs (HMRC) imposes a limit – called the Annual Allowance (*see next page*) – on the total amount of pension benefits you can build up tax-free in any tax year, but this is only likely to affect high earners.

You may if you wish pay Additional Voluntary Contributions (AVCs) in order to increase your income in retirement. Any member of the Caterpillar Pension Plan may pay AVCs but they are likely to be especially relevant for members who joined the Company later in their working life and for those considering retiring early.

### Tax advantages

The reason AVCs are attractive is because of the tax advantages which they offer:

- ◆ The money you save qualifies for income tax relief at your highest rate of tax in the same way as your normal pension contributions.
- ◆ Your money is invested in funds which benefit from favourable tax treatment.

### How do AVCs work?

You decide how much you want to save and your contributions are deducted automatically from your pay.

### How much can I pay in AVCs?

Your regular contributions to the Caterpillar Pension Plan plus your AVCs – combined with any payments which you make to other pension arrangements – must not exceed 100% of your earnings (or, if higher, £3,600) each tax year. Normally you will get full tax relief on your total pension contributions at your highest rate of tax.

HM Revenue & Customs (HMRC) imposes a limit – called the Annual Allowance (*see below*) – on the total amount of pension benefits you can build up tax-free in any tax year. However, this is only likely to affect high earners.

### HMRC Annual Allowance

The **Annual Allowance (AA)** set by HMRC represents the maximum amount of pension benefits you can build up tax-free in any tax year. The AA is £225,000 for the tax year beginning April 2007, rising each year up to £255,000 by the tax year beginning April 2010, and is expected to increase in line with inflation thereafter.

If the AA is exceeded, tax will be payable at the rate of 40% of the excess.

### Choice of investment options

There is a choice of options for investing your AVCs. These investment options offer different levels of risk and opportunities for reward.

## Choice of benefits at retirement

Your AVCs will build up in your own separate account and, at retirement, may be exchanged in the Caterpillar Pension Plan for additional pension benefits, using the Plan's AVC conversion terms. Your AVC benefits will be combined with your main Plan benefits.

Alternatively, you may use your AVC fund to purchase pension benefits from an insurance company. In this event, you are likely to incur administration expenses.

## AVC Application Form

If you would like an AVC Application Form or wish to find out more about AVCs, please contact the Pensions Department at Peterborough.

Alternatively, you will find a copy of the Form on the Pensions Website

**<https://caterpillar.pensiondetails.co.uk>** – just click on “MY LIBRARY”.

## Normal Retirement Age

Normal Retirement Age is your 65th birthday. However, if the Company agrees to you remaining in employment beyond 65, you will be able to stay in the Pension Plan and continue to accumulate benefits under the Plan.

When you start to receive your pension from the Caterpillar Pension Plan, it will be paid monthly in arrears. Payment of your pension will be by credit transfer direct to your bank, building society or National Girobank account each month.

For income tax purposes, pensions are regarded as earned income and are subject to tax through the PAYE system.

## Women retiring after State Pension Age

State Pension Age is 65 for men. If you are a woman, State Pension Age is 60 if you were born before 6th April 1950, 65 if you were born after 5th April 1955, and between 60 and 65 if you were born between these dates (*see page 6*).

Any woman retiring from Caterpillar after State Pension Age will stop paying National Insurance contributions at State Pension Age but will not normally be able to draw her State Basic Pension until she actually retires. However, it will then be increased to take account of its late payment.

## Pension formula

The pension you receive from the Caterpillar Pension Plan will be based on your Final Pensionable Pay and the length of your membership of the Plan and will be calculated according to the following formula:

**1/60th of Final Pensionable Pay  
for each year and completed month of Pensionable Service**

- Notes:**
1. *Periods of part-time employment receive special treatment under the Plan. You should contact the Pensions Department for full details.*
  2. *For former "Works" members of the Plan, the fraction used to calculate the pension earned for Pensionable Service before April 1995 is **1/80th**.*
  3. *The maximum pension you can earn from the Plan is 40/60ths of your Final Pensionable Pay.*

**Final Pensionable Pay** is your highest annual average Pensionable Pay during any three consecutive tax years within the period of 10 tax years before you retire.

**Pensionable Pay** is your total earnings for each tax year, as fixed on the 1st September following the end of that tax year. If you have not received

earnings for a full tax year, your Pensionable Pay is your basic annual pay at the date of joining the Plan.

**Pensionable Service** means the years and whole months of service you complete as a member of the Plan.

**EXAMPLE – member who joined the Plan after 31st March 1995**

Let us assume that you joined the Plan after 31st March 1995 and that you retire at age 65 with a Final Pensionable Pay of £15,000, having completed 30 years' Pensionable Service in the Plan. Your pension would be:

$$1/60 \times £15,000 \times 30 \text{ years} = \mathbf{£7,500 \text{ a year or } £144 \text{ a week}}$$

**EXAMPLE – former "Works" member who joined the Plan before 1st April 1995**

Let us assume that you are a former "Works" member who joined the Plan on 1st April 1980 and that you retire with 30 years' Pensionable Service and with a Final Pensionable Pay of £15,000. Your pension would be:

$$15 \text{ years' Pensionable Service on a pension fraction of } 1/80\text{th for each year}$$

**PLUS**

$$15 \text{ years' Pensionable Service on a pension fraction of } 1/60\text{th for each year}$$

In this case, your pension would be:

$$1/80 \times £15,000 \times 15 \text{ years} = £2,812 \text{ a year}$$

**PLUS**

$$1/60 \times £15,000 \times 15 \text{ years} = £3,750 \text{ a year}$$

**Total pension = £6,562 a year or £126 a week**

## Pension increases

Your pension will be increased each year as described on page 24.

## Personal Benefit Statement

You will receive a Benefit Statement each year which will include an estimate of your pension at Normal Retirement Age based on your current Final Pensionable Pay. You will be able to find an up-to-date Benefit Statement on the Pensions Website

**<https://caterpillar.pensiondetails.co.uk>** – just click on "MY BENEFITS".

## State Basic Pension

In addition to your Plan pension, you will normally be entitled to a State Basic Pension (*see page 6*).

## Other sources of income

In addition to your Caterpillar Pension Plan pension and the State Basic Pension, you may also have other retirement income from some of the following sources:

1. **Previous employers' schemes** in which you have benefits which you have not transferred to the Caterpillar Pension Plan.
2. **Additional Voluntary Contributions.**
3. **Personal pensions** or **stakeholder pensions.**
4. **State Second Pension** for any period since April 1978 when you were not contracted out.
5. **State Graduated Pension Scheme** which ceased in 1975.

## Transfers-in

You may have built up benefits in a previous pension arrangement.

However, for the foreseeable future, it will not be possible for individuals to transfer the value of these benefits into the Caterpillar Pension Plan. If you would like to discuss this further, please contact the Pensions Department.

This does not affect members who have already received confirmation of an additional service credit from a pension transfer into the Plan.

## HMRC Lifetime Allowance

Her Majesty's Revenue & Customs (HMRC) require that, on retirement or death, the value of pension benefits payable to any individual should be checked against the level of a **Lifetime Allowance (LTA)**. This is set at £1.6 million for the tax year beginning April 2007 and will then rise in steps to £1.8 million by the tax year beginning April 2010.

The calculation of the value of your pension benefits at retirement must include **all** pension and cash sum benefits from all tax-registered pension schemes of which you have been a member, including personal and stakeholder pensions and AVC arrangements. However, State benefits and pensions which you receive in respect of anyone else – such as a widow's, widower's or civil partner's pension – **do not count** towards the LTA.

The method for calculating the value of your pension benefits will depend on the particular form of the pension arrangement concerned. The method is set by the Government and will be affected by factors such as your age at retirement, the amount you take as a tax-free cash lump sum and pension conversion factors. When you come to draw your pension, the Pensions Department will calculate the value of your pension and check it against the LTA. The Pensions Department will need to ask for details of



benefits you have in other tax-registered schemes (and may postpone payment of your benefits or deduct additional tax if you do not supply this information).

You can receive total pension benefits up to the value of the LTA without incurring any additional tax when the benefits are paid. The only tax charge will be income tax payable on your pension as it is paid. For those few individuals who have benefits valued at more than the LTA, additional tax will be charged on the value of the excess benefit when they retire.

The LTA will normally only affect high earners.

## Valuable benefit

When you retire, whether at Normal Retirement Age or earlier, you will normally be able to exchange up to 25% of the underlying capital value of your pension from the Caterpillar Pension Plan for a cash sum payment. The annual rate of your pension will be reduced accordingly but the cash sum is tax-free under present legislation and may be used in any way you wish, making it a very valuable concession from HM Revenue & Customs (HMRC).

Furthermore, surrendering part of your pension for cash will not reduce the size of your widow's, widower's, civil partner's or children's pensions, which will be calculated on the amount of your **full** pension as though you had not chosen to exchange part of it for cash (*see page 22*).

## Conditions

1. Since the Caterpillar Pension Plan is responsible for providing you with a Guaranteed Minimum Pension (GMP – *see page 7*), your GMP must be paid as pension and cannot be exchanged for cash under any circumstances. In other words, the most that you will be able to exchange for cash is that part of your Plan pension which exceeds the GMP.
2. Payment of all benefits at retirement is subject to the HMRC Lifetime Allowance (*see page 14*).

## Reduced pension

If you take a tax-free cash sum at retirement, your pension will be reduced at a rate which will depend on your age at retirement.

## Information at retirement

The Pensions Department will provide you with information about your pension and cash sum options when you approach retirement.

## Voluntary early retirement

With the Company's agreement, you may retire early and start to receive an immediate pension from the Caterpillar Pension Plan. Currently, subject to agreement, you may retire at any time from age 50. However, the statutory minimum retirement age will be raised to 55 from April 2010. From the age of 60, you may retire without the Company's agreement.

Your early retirement pension will be calculated in the same way as for normal retirement but using your Final Pensionable Pay (*see page 12*) and Pensionable Service (*see page 13*) at the date you retire. Depending on the age at which you retire, your pension may be **reduced** to take account of the longer period over which it is likely to be paid.

### ***Retirement between the age of 60 and 65***

If you retire between the age of 60 and 65, there will normally be **no reduction** in your early retirement pension except, in the case of men only, for that part of the pension earned for Pensionable Service **before 17th May 1990**. Any part of a man's pension earned for Pensionable Service before 17th May 1990 will be reduced for each year, and proportionately for the number of months, that it is paid **before age 65**.

### ***Retirement between the age of 50 and 60***

If you retire between the age of 50 and 60, your pension will normally be **reduced** for each year (and proportionately for the number of months) it is paid **before age 60** to take account of the longer period for which it is likely to be paid. (However, as mentioned above, in the case of men only, any part of the pension earned for Pensionable Service **before 17th May 1990** will be reduced for each year, and proportionately for the number of months, that it is paid **before age 65**).

If your pension is reduced for early payment, the reduction will be greater the earlier you choose to retire. The reduction factor applied will depend on the age at which you retire and may be subject to change from time to time, depending on investment conditions and other factors. You should contact your HR Department for more information on this if you are considering retiring early.

## Enhanced pension on redundancy

If you are made redundant and retire after age 61, an enhanced early retirement pension may be payable.

## Tax-free cash sum

If you retire early, you will normally be able to take some of your pension as a tax-free cash sum (*see page 16*).

## Condition

You should note that the Guaranteed Minimum Pension (GMP – *see page 7*) has to be paid by the Caterpillar Pension Plan as a pension at State Pension Age. As a result, there may be a restriction on the amount of pension and cash sum available to you on early retirement.

## Pension increases

Your early retirement pension will be increased each year as described on page 24.

## State pensions

If you are thinking of retiring early, don't forget that State pensions are not payable until State Pension Age (*see page 6*).

## Increasing your benefits

You can increase the benefits which you will receive if you retire early by paying Additional Voluntary Contributions (*see page 10*).

If you suffer from a serious medical condition which prevents you from following your normal occupation, you can retire with an immediate pension from the Caterpillar Pension Plan, subject to medical evidence and provided that the Trustees agree.

Your pension will be based on your Final Pensionable Pay (*see page 12*) and completed Pensionable Service (*see page 13*) at the time you retire. There will be **no reduction** for early payment.

## EXAMPLE

Let us assume that you retire on ill-health grounds at age 50 when your Final Pensionable Pay is £15,000, having completed 20 years' Pensionable Service when you retire. The ill-health pension will be calculated as follows:

$$1/60 \times £15,000 \times 20 \text{ years} = \mathbf{£5,000 \text{ a year or } £96.15 \text{ a week}}$$

## Pension increases

Your ill-health pension will be increased each year as described on page 24.

## Trustees' discretion

The granting of an ill-health pension is entirely at the discretion of the Trustees, taking account of medical evidence, and their decision is final. The Trustees have discretion to stop or reduce payment of your ill-health pension if you recover or find other paid employment.

## Terminal illness

Special benefits may apply in the case of a terminal illness.

If you die during the time you are employed by the Company and you are a member of the Caterpillar Pension Plan, the following benefits are payable:

## Lump sum

**First**, a lump sum will be payable to your dependants or beneficiaries equal to **three times your Pensionable Pay** (*see page 12*) at the date of death. They will also receive a refund of the contributions and any AVCs you have paid to the Plan.

## Beneficiary Nomination Form

In order to avoid any possibility of this lump sum being subject to Inheritance Tax, the decision as to who will receive the benefits and in what proportions must be made by the Trustees. By paying the benefits at the Trustees' discretion in this way, it is usually possible to avoid any delay that may be associated with settlement of the member's will.

Although the decision as to who should benefit rests with the Trustees, they will always be guided by any wishes expressed by a member in this regard and you are advised to assist them by completing a Beneficiary Nomination Form, indicating who you would like to receive the benefit. The form will be treated in the strictest confidence.

There is a copy of the Beneficiary Nomination Form at the back of this booklet and further copies are available from the Pensions Department. Alternatively, you will find a copy of the Form on the Pensions Website <https://caterpillar.pensiondetails.co.uk> – just click on “MY LIBRARY”.

If, at any time, your personal circumstances change, for example on marriage, re-marriage, separation, divorce or on the birth or adoption of a child, or if one of your nominated beneficiaries dies, you should complete a new form.

## Widow's, widower's or civil partner's pension

**Second**, a pension will be paid to your widow, widower or civil partner. This pension will be one-half of the pension you would have received at Normal Retirement Age, based on your Pensionable Pay (see page 12) at the date of death and on your full Pensionable Service (see page 13) as though you had worked until Normal Retirement Age. (**Note:** In the case of a civil partner, only service from 5th December 2005 will count, or service from 6th April 1988 in respect of contracted-out benefits for a surviving civil partner.)

### EXAMPLE

Let us assume that you joined the Caterpillar Pension Plan after 31st March 1995 and that your Pensionable Pay at the date of death is £15,000. If we also assume that your full Pensionable Service if you had been able to continue working until age 65 is 32 years, your widow's, widower's or civil partner's pension would be:

$$\frac{1}{2} \text{ of } \frac{1}{60} \times £15,000 \times 32 \text{ years} = \text{£4,000 a year or £76.92 a week}$$

### Conditions

1. The pension is payable for the rest of your widow's, widower's or civil partner's lifetime, irrespective of any remarriage or new civil partnership.
2. The pension will be reduced if your widow, widower or civil partner is more than 10 years younger than you.
3. The pension must be at least that required by the contracting-out requirements (see page 7).

## Children's pensions

**Third**, pensions will be payable to up to four dependent children. Each child's pension will be one-quarter of the widow's, widower's or civil partner's pension and will continue in payment until age 18.

## Dependant's pension

If you are not survived by a widow, widower or civil partner, the Trustees have discretion to pay a pension to other dependants, such as a common law spouse or dependent parents.

## Pension increases

The widow's, widower's, civil partner's, children's or dependants' pensions payable if you die in service will be increased each year as described on page 24.

Once payment of your pension starts, you will receive it for the rest of your life. On your death, the Caterpillar Pension Plan will provide the following benefits:

## Widow's, widower's or civil partner's pension

On your death, if you are married, your widow, widower or civil partner will receive an immediate pension for life. In the case of a widow or widower, this pension will be equal to one half of your full pension at the date of death, ignoring any reduction which was made to your pension because you took a cash sum at retirement (*see page 16*) and taking account of any increases paid since retirement.

In the case of a surviving civil partner, this pension will be based on one-half of your pension at the date of death, but only in respect of the pension relating to your service from 5th December 2005 (or from 6th April 1988 in the case of contracted-out benefits).

### EXAMPLE

Let us assume that you die after Normal Retirement Age with a pension of £5,000, having given up some pension at retirement in order to provide a tax-free cash sum. If we assume that the pension given up equals £800, then your widow's or widower's pension would be:

$$\frac{1}{2} \text{ of } £5,800 = \text{£2,900 a year or £55.77 a week}$$

**Conditions** Payment of the widow's, widower's or civil partner's pension is subject to the same conditions as set out on the previous page.

## Dependant's pension

If you are not survived by a widow, widower or civil partner, the Trustees have discretion to pay a pension to other dependants, such as a common law spouse, dependent children or dependent parents.



## **Additional dependant's pension**

You may, before you retire, choose to give up part of your pension to provide an additional dependant's pension payable on your death after retirement. "Dependant" here means any individual who, in the opinion of the Trustees, is dependent on you at the time of your retirement for the ordinary necessities of life.

Your own pension will be reduced as a result, but the pension you retain for yourself must always be at least as much as the total of any widow's, widower's, civil partner's or dependant's pension.

However, make sure you seek information from the Pensions Department at Peterborough before you set aside a part of your pension in this way, since there are certain issues to be considered.

## **Death within 5 years**

If you die within five years of starting to receive your pension, a tax-free lump sum will be payable to your dependants equal to the discounted value of the unpaid balance of five years' pension instalments, including an allowance for any future increases on those pension payments.

## **Pension increases**

The widow's, widower's, civil partner's, children's or dependants' pensions payable on your death after retirement will be increased each year as described on the next page.

### Before retirement

As your pension from the Caterpillar Pension Plan is based on your earnings shortly before you retire, it should generally keep pace with the cost of living up to that time.

### After retirement

After retirement (or earlier death), pensions in payment will be increased each year to help offset increases in the cost of living. These increases apply not only to pensions which start to be paid at normal retirement, but also to ill-health pensions, early retirement pensions and all widow's, widower's, civil partner's, children's and dependants' pensions.

During the year in which your pension starts to be paid, you will receive a proportion of the full annual increase.

#### *For service before 6th April 1997*

After State Pension Age, the **Guaranteed Minimum Pension (GMP)** (see page 7) part of your Plan pension will be increased each year in line with the Retail Prices Index (RPI) by the Plan and the State in the following way:

- ◆ **The Plan** will increase that part of your GMP earned for Pensionable Service between 6th April 1988 and 5th April 1997 by a guaranteed 3% a year.
- ◆ **The State** will increase the GMP as follows:
  - For service before 6th April 1988 – the increase will be in line with the RPI.
  - For service between 6th April 1988 and 5th April 1997 – the increase will be in line with the RPI above 3%.

These increases by the State are paid directly to you by the Government together with any State Basic Pension to which you are entitled.

#### *For service from 6th April 1997*

The whole of the pension which you earn for your Pensionable Service **from 6th April 1997** is guaranteed to be increased each year by the Plan in line with the RPI, up to a maximum of 5% a year.

### Discretionary increases

Extra discretionary increases can be awarded by the Company and the Trustees to help offset the effects of inflation.

### State pensions

The State Basic Pension and the State Second Pension are currently increased by the Government in April each year.

## Temporary absence

Most absences from work are for a relatively short time and your membership of the Caterpillar Pension Plan in these circumstances remains unchanged. If, however, you are away for a longer period but continue to be employed by the Company, then you should find out what effect, if any, your absence will have on your benefits from the Plan.

You will continue to pay contributions to the Plan on any Pensionable Pay you receive during your period of absence. Unless you are away from work because of sickness, the period of absence will only count as Pensionable Service if contributions are paid.

Life insurance cover (see *“Lump sum” on page 20*) will continue to apply while you remain employed by the Company.

## Family leave

During any period of paid maternity, paternity or adoption leave, you will be able to continue to pay contributions to the Caterpillar Pension Plan and will remain entitled to receive all the benefits of the Plan.

If you exercise your statutory right to return to work, you will be treated as having continuous Pensionable Service for the period of your leave during which you have continued to pay contributions to the Plan. However, any period of leave during which you have not paid contributions will not count as Pensionable Service.

If you do not return to work, your options will be the same as described in the section on *“Leaving the Company”*, starting on the next page.

## Career break

If, with the Company’s agreement, you take a career break, your membership of the Caterpillar Pension Plan will be suspended. You will not pay contributions to the Plan during the break period but you will be covered for any death-in-service or ill-health retirement benefits.

If you leave the Company, you will cease to build up further benefits in the Caterpillar Pension Plan. You will be informed of your benefits and options as soon as possible after leaving.

### Three options

If you leave the Company with two or more years' **Qualifying Service** (see below), you will have a choice of the following three options:

1. A **transfer** of the cash value of your pension to your new employer's scheme or to your own pension arrangement.
2. A **deferred pension** (see next page).
3. If you are aged 50 or over when you leave, an **immediate pension**, provided that the Trustees agree (see page 28).

Let us look at these options in more detail.

**Qualifying Service** is your Pensionable Service (see page 13) plus any period of membership in a previous pension arrangement from which benefits have been transferred into the Caterpillar Pension Plan.

### OPTION 1 Transfer to another scheme

If you are eligible for a transfer, you may request the Trustees to transfer the cash value of your Caterpillar Pension Plan pension to your new employer's pension scheme or to an approved financial institution to buy an individual pension policy in your own name.

If your new scheme is contracted out of the State Second Pension, all your benefits (including your GMP) will be transferred. If the scheme is not contracted out, the GMP part of your benefits will normally be secured for you in the Caterpillar Pension Plan.

The transfer value, which complies with statutory requirements, is calculated by the Plan's actuary and is the current cash equivalent value which would need to be invested now to produce a sum of money sufficient to provide the benefits payable to you by the Plan at Normal Retirement Age. Changes in investment market conditions will, therefore, cause transfer value quotations to fluctuate from time to time. No allowance will be made for any discretionary pension increases when calculating the transfer value.

You may request a transfer quotation once in any 12-month period and it will normally remain valid for three months.

Once the transfer value has been worked out, your new scheme will be able to tell you if it is prepared to accept the transfer and, if so, what benefits it will secure for you.

## OPTION 2

### A deferred pension

If you are eligible for a deferred pension, this will be your full pension earned up to the date you leave, calculated on the basis of your Final Pensionable Pay (*see page 12*) and your completed Pensionable Service (*see page 13*) at that time.

#### EXAMPLE

If you joined the Caterpillar Pension Plan after 31st March 1995 and were to leave the Company with Final Pensionable Pay of £15,000 and 15 years' completed Pensionable Service, then the deferred pension would be:

$$\begin{aligned} &1/60 \times £15,000 \times 15 \text{ years} \\ &= \mathbf{£3,750 \text{ a year}} \\ &\text{or } \mathbf{£72.11 \text{ a week}} \end{aligned}$$

### Pension increases

#### ***Before your pension starts to be paid***

Your deferred pension will be increased each year up to the time it starts to be paid. Increases are made separately to the Guaranteed Minimum Pension (GMP – *see page 7*) and to the rest of your deferred pension as follows:

- ◆ Your GMP will be increased each complete tax year from the time you leave the Plan until it starts to be paid. For leavers after 5th April 2007, this increase is at the rate of 4% a year.
- ◆ Any part of your deferred pension in excess of the GMP will be increased each year until you retire in line with the Retail Prices Index over the period, subject to a maximum of 5% a year over the period.

#### ***After your pension starts to be paid***

Once your deferred pension starts to be paid, it will be increased each year as described on page 24.

### Early payment

Your deferred pension is payable in full at Normal Retirement Age. However, you may apply to the Trustees to have your pension paid before age 65. Depending on the age at which you retire, your pension may be reduced to take account of the longer period over which it is likely to be paid (*see page 17*).

### Death before retirement

If you die before your deferred pension starts to be paid, an immediate pension will be paid to your widow, widower or civil partner. The pension will be equal to:

**$1/160 \times \text{your Final Pensionable Pay} \times \text{each complete year of your contracted-out employment}$**

If you are not survived by a widow, widower or civil partner, the Trustees have discretion to pay a pension to other dependants, such as a common law spouse, dependent children or dependent parents.

In addition, a refund of your own contributions to the Plan, plus any AVCs, will be paid to your dependants.

### Death after retirement

If you die after starting to receive your deferred pension, your dependants will receive benefits on a similar basis to that described in the section on "Death After Retirement" (see page 22).

### Continuing options

If you choose a deferred pension, you will retain the following options:

- ◆ The option – before you reach age 64 – to transfer the cash value of your pension to a new employer's scheme or to your own pension policy (see *Option 1 on page 26*) at any time before payment of the pension starts.
- ◆ The option to exchange part of your pension for a tax-free cash sum at retirement (see page 16).
- ◆ The option to take payment of your pension early (see page 17).

### Change of address

If you choose a deferred pension from the Plan, you should keep the Trustees informed of any change in your address, so that they are able to contact you when your pension is due to start.

### OPTION 3

#### An immediate pension

Currently, if you are 50 or over when you leave the Company, you may apply to the Trustees to start drawing your Caterpillar Pension Plan pension immediately.

Depending on the age at which you retire, your pension may be reduced to take account of the longer period over which it is likely to be paid.

From April 2010, the statutory minimum retirement age will be raised to 55.

If you opt out of the Caterpillar Pension Plan but remain employed by the Company, your options will be the same as if you had left the Company (*see page 26*).

If you do opt out of the Plan, you will be included automatically in the State Second Pension unless you arrange your own personal or stakeholder pension outside the Company.

## Giving notice

If you wish to leave the Plan, you must give the Trustees one month's notice in writing of your intention to leave. A decision to leave the Plan has the following implications:

1. You will start paying National Insurance contributions at the full rate if you re-join the State Second Pension.
2. If you leave the Plan in order to take out your own personal pension or stakeholder pension, the Company will not contribute directly to that pension.
3. Your dependants will no longer be covered for life assurance of 3 x your Pensionable Pay.

## Re-joining the Plan not allowed

If you decide to leave the Plan, you will not be able to re-join it but will have the option to join the Caterpillar Defined Contribution Pension Plan.

## Independent advice

Neither the Company nor the Trustees can advise you as to which option is best for you. The final decision rests with you. You may wish to seek independent financial advice to assist you.

## **Security of separate trust fund**

The Plan is set up under trust law and its finances are quite separate from those of the Company. All the contributions from the members and the Company are paid into a trust fund. The fund is kept quite separate from the assets of the Company to provide security for the benefits of Plan members and their dependants.

The members' contributions are deducted from earnings and passed, together with the Company's contributions, to the Trustees. The total contributions are used to buy a wide range of investments which produce the income and capital growth out of which the benefits are paid. All the benefits defined in the Rules of the Plan are financed in this way.

## **Trustees**

The Caterpillar Pension Plan is run by a corporate trustee, Caterpillar Pension Trust Limited, whose directors are responsible for looking after your interests. In this booklet we refer to these directors as 'the Trustees'.

## **Trust Deed & Rules**

The Trustees must administer the Plan in accordance with a set of legal documents called the Trust Deed & Rules. You may see a copy of them at any reasonable time by arrangement with the Pensions Department.

The Company has the power to amend the Trust Deed & Rules, with the agreement of the Trustees. However, no amendment can be made which would adversely affect the benefits which members had earned up to the date of the amendment.

## **The actuary and other advisers**

The Trustees have appointed an actuary to check the level of funding of the Plan at regular intervals and to advise on the contributions which the Company should pay in order to support the benefits to be provided.

The Trustees also employ the services of solicitors, bankers, auditors, investment managers and other advisers as appropriate.

## **External supervision**

The Plan must also comply with a number of statutory requirements in relation to tax treatment, contracting out, disclosure of information and other relevant pensions matters.

Supervision in these areas is exercised by HM Revenue & Customs, the Department for Work and Pensions and the Pensions Regulator.



The Trustees have a legal obligation to provide certain information about the Caterpillar Pension Plan to members, other beneficiaries and the recognised trade unions of members. Here is a summary of how the information can be obtained.

<b>Trust Deed &amp; Rules</b>	These are available for inspection by arrangement with the Pensions Department.
<b>Plan details</b>	An explanatory booklet has been given to all employed members of the Plan. It is also available on request to certain other interested parties.
<b>Individual statements</b>	These are issued automatically when a benefit falls due. Also Benefit Statements are issued annually to employed members.
<b>Trustees' Annual Report</b>	A simplified version is issued each year to members. A full Report & Accounts is available on request from the Pensions Department.
<b>Annual Funding Statement</b>	A formal Statement on the funding position of the Plan is issued each year to members.

Any member who has a grievance related to the Caterpillar Pension Plan should make representations in the first instance to their Human Resources Department. If it is not possible to resolve the matter at this level, a formal complaint should be made to the Pensions Manager who will provide a written reply within two months. If the member is not satisfied with this response, he or she is entitled, within six months, to refer it to the Trustees, who will have a further two months to respond.

If it still proves impossible to reach a resolution, the member has recourse to an external disputes procedure which is in the hands of The Pensions Advisory Service (TPAS) or the Pensions Ombudsman (*see page 35*).

The procedure is summarised in the following table:

<b>Step</b>	<b>Who to contact</b>	<b>Timescale for member to make complaint</b>	<b>Timescale for response to be made</b>
<b>1. Everyday questions or concerns</b>	Human Resources Department or Pensions Department	As the need arises	Immediately or as soon as is practical, dependent on the nature of the query
<b>2. Formal complaint Stage 1</b>	Pensions Manager*	When the member believes the formal procedure should be used	Normally within 2 months of receiving the Stage 1 formal written complaint
<b>3. Formal complaint Stage 2</b>	The Trustees*	Within 6 months of the issue of the Stage 1 response	Normally within 2 months of receiving the Stage 2 formal written complaint
<b>4. Involvement of external bodies Stage 1</b>	The Pensions Advisory Service (TPAS)	As soon as practical after receiving the Trustees' response	As soon as practical
<b>5. Involvement of external bodies Stage 2</b>	The Pensions Ombudsman	Normally within 3 years of the act or omission which is the subject of the complaint	As soon as practical

\* Complaint to be made on a form provided by the Pensions Department at Peterborough.

## **Tax**

All pension payments (including the State Basic Pension) are treated as earned income, just like pay, and are subject to tax through the PAYE system in the same way.

## **HM Revenue & Customs**

The Caterpillar Pension Plan is a registered pension scheme for the purposes of the Finance Act 2004. As a result, the members and the Company receive full tax relief on their contributions to the Plan. Also, a favourable tax regime applies to the Plan's investments.

To continue to qualify for favourable tax treatment, all the benefits under the Plan are subject to legislation and to HM Revenue & Customs (HMRC) limits (and therefore to any changes in legislation and HMRC practice) as to their form or maximum amount.

All benefits outlined in this booklet are subject to modifications to the extent necessary to comply with legislative or HMRC requirements (*see pages 10 & 14*).

## **Amendment or discontinuance**

It is the Company's present intention to continue the Plan. However, the Trust Deed & Rules give the Company the right to discontinue the Plan or for any participating employer to terminate its participation in the Plan. In addition, the Company may, with the consent of the Trustees, amend the Plan at any time in the future. If your benefits or rights are affected, you will be given written notice of your entitlement.

In the unlikely event of the Plan being discontinued or your employer's participation terminating, the Trustees have to use the assets of the Plan to provide benefits for the members and their dependants in the way set out in the Trust Deed & Rules. If the assets were insufficient to pay all the benefits, the Company would be obliged to make good the shortfall insofar as legislation requires.

## **Benefits not assignable**

You may not sell or assign your benefits under the Plan, nor may you use them as security for a mortgage or loan.

## **Money owed to the Company**

Your benefits from the Plan may be reduced on account of any debt owed by you to the Company arising out of criminal, negligent or fraudulent acts.

## **Divorce**

In divorce cases, courts may take pension rights and benefits into account. They may order part of your Plan benefits to be paid to your ex-spouse.

## **Changes to this booklet**

The contents of this booklet are subject to revision, for example when the Plan is amended from time to time.

## Data Protection Act 1998

The Trustees will hold personal data provided by you (and, where appropriate, by third parties such as your employer) for the purpose of calculating and providing your benefits and your survivor's benefits under the Plan.

The Trustees may make that information available to others (within the United Kingdom or in any other country) where the Trustees think it is necessary or desirable to do so in connection with the administration of the Plan. In particular, the Trustees may make the information available to its professional advisers, to the Plan's Administrator and any other trustees or other persons who may become responsible for providing benefits.

In addition, the Trustees may make that information available to your employer and other companies in the same group where required for the preparation of accounts or other financial information, for the calculation of remuneration packages, or the development of remuneration policy, early retirement or severance terms, or otherwise in connection with the business of your employer or other companies in the same group.

In particular, the Trustees may make that information available to companies which are considering acquiring or have acquired your employer or the whole or part of your employer's business. They may also make it available to the trustees, administrators or professional advisers of any pension scheme to or from which your rights under the Plan may be, are being or have been transferred, or to any company participating in such a scheme.

Where information is made available outside of the European Economic Area ("EEA"), laws and practices relating to the protection of personal data may differ from those within the EEA and may offer a different level of protection (or no protection) for personal data.

**If you want to know more about the information held by the Trustees or the purposes for which it is held, please contact the Pensions Department.**

Sensitive personal information, such as medical reports and Beneficiary Nomination Forms, will remain confidential and will be disclosed only when the Trustees consider it appropriate to do so.

## Financial Services and Markets Act 2000

The Financial Services and Markets Act 2000 states that it is the responsibility of independent pension providers to give you "best advice" when talking to you about personal or stakeholder pensions or free-standing AVCs.

The Act is intended to protect you against ill-informed or biased advice. You should remind salespeople of this obligation (particularly if you made the initial enquiry) if you have not reached a definite decision about taking out a particular personal or stakeholder pension or free-standing AVC plan. You should also ensure that any salesperson takes the benefits you could get from the Caterpillar Pension Plan into account in assessing your personal position.

## Pensions Department

The Pensions Department, responsible for the day-to-day administration of the Caterpillar Pension Plan, can be contacted at:

**Caterpillar UK Shared Services, Vicarage Farm Road, Eastfield,  
Peterborough, PE1 5NA.**

**Tel: 0845 601 4777 (option 6) Fax: 01733 584277**

**Email: [ukpensions@cat.com](mailto:ukpensions@cat.com)**

## The Pensions Regulator

The Pensions Regulator's role is to protect members' interests if trustees, employers or advisers do not meet their legal obligations. The Regulator can be contacted at:

**Napier House, Trafalgar Place, Brighton, East Sussex, BN1 4DW.**

**Tel: 0870 606 3636 Fax: 0870 241 1144**

**[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)**

## The Pensions Advisory Service (TPAS)

TPAS is an independent voluntary organisation with local pensions advisers. It is available to help pension scheme members and beneficiaries with any pension queries or any difficulty they have failed to resolve with their scheme trustees or administrator. TPAS can be contacted at:

**11 Belgrave Road, London SW1V 1RB. Tel: 0845 601 2923**

## Pensions Ombudsman

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law which may arise in relation to any occupational pension scheme. The Ombudsman can be contacted at the same address as TPAS but on a different telephone number: **020 7834 9144**

## The Pension Tracing Service

The Caterpillar Pension Plan is registered with the Pension Tracing Service which is able to help members trace pension benefits which they may have from previous employers. The Tracing Service can be contacted at:

**The Pension Tracing Service, The Pension Service, Tyneview Park,  
Newcastle upon Tyne, NE98 1BA. Tel: 0845 600 2537**

You can also complete a pension tracing request form online at **[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)** (click on *Pension Tracing Service* and then click on *Start tracing your pension*).

## State Pension Forecast

You can find out how much pension you are likely to receive from the State by contacting the Future Pension Centre on **0845 3000 168**. They will help you complete Forecast Application Form BR19 over the phone or they will send you a form to complete and return to:

**Future Pension Centre, The Pension Service,  
Tyneview Park, Whitley Road, Newcastle upon Tyne, NE98 1BA.**

You can also complete Form BR19 online at **[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)** (click on *State Pension Forecast*, then *How do I apply?*).

# Beneficiary Nomination Form

**IMPORTANT – Before completing this form, please read carefully the notes on pages 39 and 40.**

The contents of this form will be treated in the strictest confidence and will only be referred to on your death.

Title	Initials	Surname	
NI No.	Payroll No.		Location

**To: The Trustees of the Caterpillar Pension Plan**

On my death, I hereby request you to pay any benefits that are within your discretion to the following person(s):

	Full name and address of beneficiary	Relationship to me	Approx. age	% of benefit
<b>1</b>	Name			
	Address			
<b>2</b>	Name			
	Address			
<b>3</b>	Name			
	Address			
<b>4</b>	Name			
	Address			

**Special Instructions**

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I fully appreciate that the above is merely an expression of my wishes, which I may alter at any time. I also acknowledge that you are not bound to act in accordance with my wishes. Without creating any trust or binding obligation, and without fettering in any way the Trustees' discretion, I request you to take note of my wishes as set out above. **This form cancels any earlier dated Beneficiary Nomination Form.**

Date

Signature

When completed, this Form should be sent to:

**The Pensions Department  
Caterpillar UK Shared Services  
Vicarage Farm Road  
Eastfield  
Peterborough  
PE1 5NA**



## Introduction

The Trustees have discretionary powers concerning the payment of lump sum death benefits and, in some instances, the payment of a dependant's pension. Members are invited to express their wishes concerning the distribution of these benefits. In this way, the Trustees will not have to wait for Grant of Probate or Letters of Administration to be obtained, so allowing early payment of benefits.

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## Beneficiaries

Please indicate on the front of the Beneficiary Nomination Form the person(s) who you would like to receive the cash sum benefit in the event of your death. If you wish to include more than one beneficiary, name the individuals, their relationship to you and the percentage each is to receive. The Trustees are not bound to follow your wishes but will take them into account when determining the beneficiaries of any lump sum death benefit. In certain circumstances, the payment of a dependant's pension may become payable at the discretion of the Trustees. The completion of this form will assist the Trustees in the distribution of such benefits.

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## Inheritance tax

No Inheritance Tax or any other form of tax is normally payable under existing law on discretionary lump sum benefits arising from a registered pension plan, such as the Caterpillar Pension Plan. If you are in doubt about the implications of Inheritance Tax as it affects you, you should seek professional advice.

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## Special instructions

If you are married with young children, you may wish to identify your children as beneficiaries but only in the event of the earlier death of your wife/husband. For example, you may name your wife/husband followed by *'Failing whom.... (include the names of your children).'* When naming children under the age of 18, consideration should be given to the possibility that young children may require a member of your family or a solicitor to act as trustee to administer the lump sum benefit on their behalf.

**Special instructions *cont'd***

The Special Instructions section of the Beneficiary Nomination Form allows you to record any special wishes or to nominate one or more persons who may be in a position to manage a fund of money on behalf of a child. You should be aware that, although the Trustees can make a payment to a Trust Fund, they cannot make payment directly to a child under the age of 18.

**Further advice**

If you need any further advice on completing the Beneficiary Nomination Form, please contact the Pensions Department or consult a solicitor.

**When you have completed the form**

When you have completed this form, please return it to the Pensions Department (in a sealed envelope, bearing your name and the date). It is advisable to retain a copy for your personal papers. The form will be placed on your personal file and will only be referred to in the event of your death.

**Change of circumstances**

**If at any time your personal circumstances change**, for example on marriage, re-marriage, separation, divorce or on the birth or adoption of a child, or if one of your nominated beneficiaries dies, **please obtain a new form from the Pensions Department.**



Produced in December 2007 by the Pensions Department, Caterpillar UK Shared Services