

# CATERPILLAR DC PENSION PLAN HIGHLIGHTS IN 2018

Each year the Trustee prepares a 'Chair's Statement' that describes how the Plan has been governed in members' interests. Here are some highlights of the Chair's Statement for the year to 30 September 2018.

## MISSION & STRATEGY



### THE TRUSTEE'S OBJECTIVE

Trustees' overall objective is to provide a well-governed pension plan, providing cost effective and efficient administration along with benchmark performing investment options for members. Principally the Trustee is focused on helping each member to achieve the retirement income they require.

### 2018 PRIORITIES

- ✓ Investment review of the default arrangement
- ✓ Board effectiveness assessment
- ✓ Enhanced Plan Communication & Education
- ✓ Selection and appointment of a new Company Secretary

## HOW YOU BENEFIT FROM BEING A MEMBER OF THE PLAN

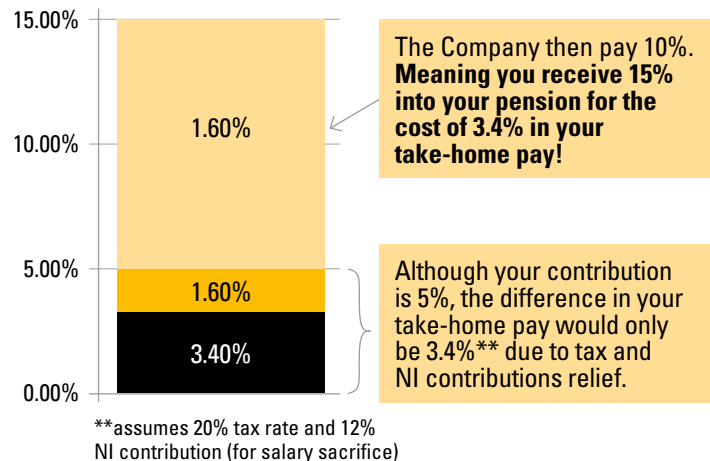
The standard contribution structure for the Plan is a matching structure of:

**1:2 (member/Company)** for members' contributions up to 5% of Pensionable Earnings\*

\*GB Section

The actual cost to you will normally be much less than your gross contribution, because you receive tax relief on your contributions at the maximum rate to which you are liable.

The example on the right shows how much would go into your pension saving if you opted to contribute 5%.



## BUT THE GOOD VALUE DOESN'T STOP THERE.....

### WHO PAYS FOR PLAN SERVICES?



#### THE COMPANY PAYS FOR:

- Administration services\*
- Self-help online tools and benefit modellers
- Member communications
- Professional advice to the Trustee and Company, including legal, investment and audit
- Trustee governance



#### THE MEMBER PAYS FOR:

- Investment manager costs\*\*

\*Active members only, an administration charge is levied on deferred funds

\*\*These costs are deducted from members' savings in the Plan

## VALUE FOR MEMBERS ASSESSMENT



The Trustee regularly assesses the extent to which the Plan's services provide **good value for members**. 'Value' is not just about the price of services, but also their performance against required standards.



The Plan's services were assessed in 2018 by the Trustee's advisers as providing members with **good value**. The performance and price of funds were assessed along with wider Plan features.

## IMPACT OF COSTS AND CHARGES

The Trustee is now required to show the impact of costs and charges on a member's pension savings. An example of the impact for a member invested in the Long Term Growth Fund (the default arrangement's growth phase) is shown below. Further illustrations can be found in the full Chair's Statement, which is available on the pensions website [www.mycatpension.co.uk](http://www.mycatpension.co.uk)

0.142%

This is the annual management charge deducted from members' funds.

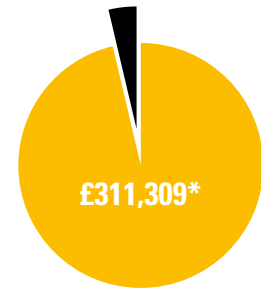
### Example of impact



- Member joins Plan at age 35
- Initial pot size of £45,038
- Earns £33,500 per year and total contribution (employee and Company) of 11.6%
- Inflation and Pensionable Salary growth assumed at 2.5% per year to age 65
- Real investment return assumed to be 3.33% net of costs and charges

Approximate fund size at age 65  
(3.6% annual return before charges)

c.£12,000 in charges



\*in today's money

It's important to note that the Trustee regularly examines the charges and costs paid by members and formally assesses them on an annual basis as part of their value for members work. Furthermore, the Plan's size and status helps in negotiating fund charges that are far lower than those of most pension plans.

## 2018 HIGHLIGHTS



### CHANGE IN PENSION ADMINISTRATOR

Following a provider review and extensive project undertaken by the Trustee and Company, Mercer became the administrator of the Plan on 15 October 2018.



### GDPR COMPLIANCE

During the course of 2018, the Trustee, Company and legal advisers completed a large project to ensure the Plan is fully compliant with the General Data Protection Regulations.



### CORE FINANCIAL TRANSACTIONS

The Trustee has various controls in place to ensure core financial transactions, such as transfers and investment of contributions, are processed promptly and accurately.



One control for doing this is having an agreement with their administration service provider committing them to scheme-specific service level agreements. For example, the administrator will have three days to invest contributions after they reconcile what has been received. The Trustee reviews the service levels on a quarterly basis.



### TRUSTEE KNOWLEDGE AND UNDERSTANDING

In 2018, the Trustee undertook training during the year in order to ensure they have knowledge of the latest thinking in defined contribution pension schemes. Examples of the training included:

- Transaction costs and charges disclosures
- Post-retirement options
- Quarterly DC News and Views from the Plan's DC adviser
- GDPR training from the Plan's legal adviser
- Financial Wellness