

# ENGINEERING YOUR FUTURE

The newsletter for members of the Caterpillar Pension Plan

2019



**CATERPILLAR®**

CATERPILLAR DB PLAN



# WELCOME

**This issue reflects the Plan year to 30 September 2018 and includes details of the Plan's income, expenditure and membership figures. The summary of the Annual Report and Financial Statements can be found on pages 4-5.**

As our active members will know, the Plan will close to future accrual at the end of the year. The Caterpillar Pensions Department has a busy year ahead, as the team aims to provide our active members with the information they need to make informed choices about their future membership of the Caterpillar Defined Contribution Pension Plan. Details are given on pages 8-9.

If you are a pensioner or deferred member of the Plan, I would like to reassure you that these changes won't affect you or your pension.

For the Trustees, the months ahead are likely to be dominated by preparations for the

2019 triennial actuarial valuation. Part of the process involves agreeing the assumptions that will be used by the Plan actuary when he calculates the Plan's future assets and liabilities. The update on pages 6-7 shows that in 2018, based on informal figures, the estimated funding position had improved to 104% on an 'ongoing' basis.

I would also like to take this opportunity to invite you to take a look at the Caterpillar pensions website, which has undergone a facelift to improve the member experience – that is, the way we communicate with you and help you understand the value of your benefits in the Plan.

The website has been redesigned to be much more user friendly, and you don't need a personal login to view it. Please let us know what you think – your feedback is appreciated.

Finally, the decisions you make about your benefits will be some of the most important ones of your life. The Trustees are keen to help members who are considering transferring their benefits out of the Plan to be suitably informed in their decision making. Please see page 13 for critical information about this point.

**David Goldspink**  
**Chair of Trustees**

# DB PLAN HIGHLIGHTS

**The Plan is worth £1.9 billion  
as at 30 September 2018.**

**The Plan's most recent funding update  
showed an improvement in the funding level.**

**Plan membership has dipped below 13,000.**

**During the year to 30 September 2018,  
the Company paid £55 million into the Plan.**

# INSIDE THIS ISSUE

**The DB Plan in numbers** Page 4

**Who's in the Plan?** Page 5

**Funding update** Page 6

**Plan closure** Page 8

**Life and income  
protection cover  
(deferred active members)** Page 10

**The Trustee Board** Page 11

**Pension scams** Page 12

**Pension transfers** Page 13

**Pension news** Page 14

**Contact us** Page 16

# THE DB PLAN IN NUMBERS

At 30 September 2018, the Caterpillar Pension Plan was worth £1.9 billion. Here is a summary of the money into and out of the Plan during the year.

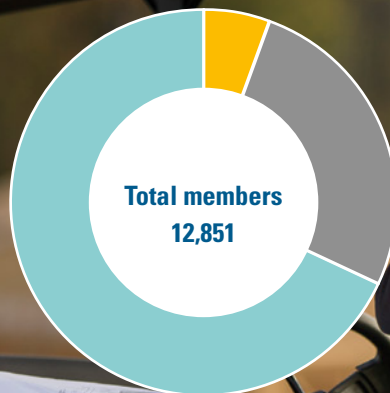
<b>DB Plan at the start of the year</b>		<b>£1,877,881,000</b>
<b>IN</b>	Total income	£56,822,000
<b>OUT</b>	Total expenditure	£115,709,000
<b>+</b>	Increase in market value of investments	£33,491,000
<b>+</b>	Investment income	£32,377,000
<b>DB Plan at the end of the year</b>		<b>£1,884,862,000</b>

<b>IN</b>	
Company contributions	£55,055,000
Member contributions	£1,031,000
Member voluntary contributions	£710,000
Payments from insurance companies	£26,000
<b>OUT</b>	
Pensions	£51,789,000
Tax-free cash sums at retirement	£5,401,000
Death benefits	£144,000
Transfers to other schemes	£54,949,000
Refund of members' AVCs and bonus sacrifice	£748,000
Administration expenses	£1,731,000
Investment management costs	£947,000

# WHO'S IN THE PLAN?

You are one of over 12,800 members of the Caterpillar Pension Plan.  
As at 30 September 2018, the membership included:

Active members	741
Deferred members	3,377
Pensioners	8,733



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.

# FUNDING UPDATE

**The Plan actuary carries out a full valuation of the Plan at least every three years. The Trustee Directors and Caterpillar use this assessment to decide how much needs to be paid into the Plan to make sure there is enough money to pay all current and future pensions in full.**

The last full valuation was carried out as at 30 September 2016, but the actuary also reviews the Plan's funding level in the years between valuations. These updates provide a quick estimate of how the funding level has changed over the year.

The latest updates are shown here, along with the results of the 2016 valuation.

	30 September 2018 (update)	30 September 2017 (update)	30 September 2016 (full valuation)
Assets	£1,890m	£1,884m	£1,888m
Target level of assets to pay all pensions and benefits	£1,816m	£1,962m	£2,036m
Shortfall	0	£78m	£148m
Funding level	104%	96%	93%

## How has the funding level changed since last year's funding update?

The annual update as at 30 September 2018 showed that the funding level had improved to 104% (on an 'ongoing' basis). This improvement was mainly due to the contributions being received from the Company and investment-related factors (although this could, of course, change).

## How will the Plan's shortfall (identified in the 2016 valuation) be addressed?

Based on the result of the September 2016 valuation, Caterpillar agreed to make payments of £23.2m a year between 2018 and 2021 inclusive, which together with investment returns were expected to address the shortfall by 2021. An annual update as at 30 September 2018 showed the fund was ahead of target at 104% funded. The position will be reviewed when the next full valuation is carried out as at 30 September 2019.

## What if the Plan was wound up?

By law, as part of every full actuarial valuation, the Trustee Directors must also obtain an estimate of how much money an insurance company would require in order to take on the future pension payments of the Caterpillar Pension Plan.

The estimate must be for paying all pensions in full. This gives an idea of how much would be needed in the unlikely event that Caterpillar became insolvent and the Plan had to be 'wound up'.

The inclusion of this information does not imply that either the Company or the Trustees are intending to wind up the Plan.

The Plan actuary has estimated that, as at 30 September 2016, on a wind-up basis there was a shortfall of £782.2m

(2013: £596m). This shortfall is much greater than the £148.2m shortfall (at 30 September 2016) for the Plan on an ongoing basis, which is shown on the previous page.

The difference is mainly because the law requires insurance companies to invest in very low-risk assets so that they can guarantee to pay pensions in full.

## Payments to Caterpillar

There have been no payments from the Plan to Caterpillar over the 12 months to 30 September 2018 and the Pensions Regulator has not had to use its powers in connection with the Plan.



# PLAN CLOSURE

**On 31 December 2019, the DB Plan will close to future accrual. This means all active members of the Plan at that time will become deferred active members, whose pensions will remain in the Plan until they reach retirement.**

Deferred active members will be automatically enrolled into the Caterpillar Defined Contribution (DC) Pension Plan on 1 January 2020 and begin building up DC benefits.

Presentations reminding members of the consultation outcomes were held in 2018.

Further presentations will be held providing education in relation to the DC Plan between May and August 2019 by the in-house Pensions Team. Details of these DC education sessions are given on the next page.

Calendar invitations will be issued to affected members. If you want to attend, please accept the invitation. If you do not have access to a computer, please reserve your place by contacting your local HR Representative. Places are limited, so availability will be on a first come, first served basis.

If you can't make it to a presentation, the slide deck will be available through our SharePoint site: **<https://caterpillar.sharepoint.com/teams/DBClosureCommunications>**. We will also set up some Skype dial-in sessions in September, if required, and provide you with details closer to the time.

We are also planning to run 1-2-1 sessions throughout the day of each site visit. DB Plan members can book their session via their HR Representative, who will be issued with a booking form three weeks prior to our visit to your site.

Please ensure your manager has approved your attendance.

**Location:** Shrewsbury

**Date:** 9 May 2019

10.30am to 11.30pm	12.00pm to 1.00pm
2.00pm to 3.00pm	3.30pm to 4.30pm

**Location:** Peterborough

**Date:** 21 May 2019

9.30am to 10.30pm	11.00am to 12.00pm
1.00pm to 2.00pm	2.30pm to 3.30pm
4.00pm to 5.00pm	

**Location:** Peterlee

**Date:** 3 June 2019

10.30am to 11.30pm	12.00pm to 1.00pm
2.00pm to 3.00pm	4.00pm to 5.00pm

**Location:** Stockton

**Date:** 4 June 2019

9.30am to 10.30pm	11.00am to 12.00pm
1.30pm to 2.30pm	3.00pm to 4.00pm

**Location:** Desford

**Date:** 25 or 26 June 2019

10.30am to 11.30pm	12.00pm to 1.00pm
2.00pm to 3.00pm	3.30pm to 4.30pm

**Location:** Stafford

**Date:** 8 August 2019

10.30am to 11.30pm	12.00pm to 1.00pm
2.00pm to 3.00pm	3.30pm to 4.30pm

Meeting rooms for the presentations are still to be confirmed.



# LIFE AND INCOME PROTECTION COVER after 31 December 2019

(deferred active members while active members of the DC Plan)

**Life and income protection cover will be available for deferred active members of the DB Plan who are active members of the DC Plan after 31 December 2019, which is when the DB Plan will close to future accrual and those members will be automatically enrolled into the DC Plan.**

Once you have been automatically enrolled into the DC Plan and you become an active member, you will automatically qualify for life and income protection cover, subject to meeting the insurer's requirements.

If you choose not to be a member of the DC Plan (you opt out) you will not qualify for life or income protection cover.

If you opt out of the DB Plan prior to closure, we will not automatically enrol you into the DC Plan. If you subsequently join the DC Plan, you will be covered for the life assurance benefits (subject to the insurer's requirements), but you will need to be an active member of the DC Plan for five years before you become eligible for the Group income protection cover (again subject to the insurer's requirements).

We will be communicating with you in more detail on this topic shortly.



# THE TRUSTEE BOARD

**The DB Plan's Board of Directors comprises four Company-appointed Trustee Directors and four member-nominated Trustee Directors.**

## **Company-appointed Trustee Directors**

Jon Beardmore

Laurence Dobney

David Goldspink (Chairman)

Lisa Rodgers

## **Member-nominated Trustee Directors (MNDs)**

Russell Arnott – resigned 9 February 2018

Tony Foster – appointed 20 August 2018

Mike Hiron

Pete Moulton

Gavin Padgett

Running a multi-billion-pound pension plan is a complex task, so the Trustee Directors have appointed the following specialist advisers to help them:

### **Actuary**

John Porteous, Mercer Limited

### **Auditor**

PricewaterhouseCoopers LLP

### **Legal adviser**

Slaughter and May

### **Investment adviser**

Mercer Limited

### **Bankers**

HSBC plc

### **Investment managers**

Legal & General Assurance  
(Pensions Management)

Royal London Asset Management

### **Custodian**

Northern Trust Company

# BEWARE THE PENSION SCAMMERS

**Over the year to 30 September 2018, the cash value of benefits being transferred out of the DB Plan increased from £21 million to £55 million.**

While in many cases transfers are of course legitimate, the Trustees are concerned that members could risk losing their entire life savings if they end up moving their money into schemes run by scammers.

Since the introduction of pension freedoms in 2015, the number of people being targeted by scammers has increased dramatically. Official figures reveal that fraudsters have successfully defrauded people out of pensions worth £43 million in the past three years, with victims losing an average of £15,000 each.

The government has now introduced a ban on cold calling, which covers unsolicited calls about pensions. There are significant penalties for any individuals or firms who breach this legislation. However, the threat still exists. If someone contacts you unexpectedly, claiming to be able to help you access your pension before the age of 55, it's probably a scam and you should simply hang up.

The Pensions Regulator advises members to:

- reject unexpected offers
- check who you are dealing with
- not be rushed or pressured
- get impartial information and advice.

You can find out more about pension scams, including what to do if you think you are being targeted, at [www.pension-scams.co.uk](http://www.pension-scams.co.uk) or [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

# PENSION TRANSFERS

## **If you are thinking about transferring your pension, please consider the following important points:**

- If your pension in the Plan is valued at over £30,000, you are legally required to take independent financial advice before a transfer can proceed, and the Trustees must check that you have done so.
- DC pension flexibilities are normally only available from age 55.
- On a discretionary basis (which is subject to review from time to time), the Plan permits non-statutory transfers up to age 65 provided that you:
  - (i) have not started taking your Plan benefits
  - (ii) stop accruing Plan benefits (for example, by opting out of the Plan)
  - (iii) initiate the process by requesting a transfer value no later than the date you reached age 64 years and 3 months, and
  - (iv) any such transfer is completed no later than the date you reach age 65.
- The Pensions Regulator's view is that it is likely to be in the best financial interests of the majority of members to remain in their DB scheme.
- You can currently take up to 25% of your savings from a DC arrangement as a tax-free, cash lump sum. Anything above this amount will be taxed as income in the year that you receive it. Depending on your other income, this could mean paying a higher rate of income tax.
- It can take time to process transfer applications, with requests for guaranteed transfer values often taking up to three months to complete.

If you are thinking about transferring out of the Plan, please make sure you fully understand the risks and the possible benefits that you are giving up. Once you transfer out, you will no longer be a member of the Plan.

# PENSION NEWS

## Pensions tax allowances – an update

The Lifetime Allowance (LTA) is the maximum amount of pension savings you can have at retirement from all pension schemes without incurring an additional tax charge.

Between April 2016 and April 2018, the LTA had been fixed at £1 million. However, since April 2018, the LTA has increased annually in line with inflation, as measured by the Consumer Prices Index. On 6 April 2019, it increased from £1,030,000 to £1,055,000.

The Money Purchase Annual Allowance (MPAA), which is a limit on the tax-relieved pension savings you can make if you have withdrawn any pension benefits flexibly, remains set at £4,000.

There has also been no change to the Annual Allowance (AA) – both the ‘standard’ AA and the ‘tapered’ AA, which were covered in more detail in last year’s newsletter.

Remember, the rules on how much you can save into a pension in a tax-efficient way have become very complex, so if you think you might be affected, please take independent financial advice.

To find out more about pensions tax allowances, go to:  
**[www.gov.uk/tax-on-your-private-pension](http://www.gov.uk/tax-on-your-private-pension)**

For more specific guidance on the Tapered Annual Allowance, go to: **[www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance](http://www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance)** or  
**[www.mycatpension.co.uk/Uploads/Docs/General/Tapered-Annual-Allowance-factsheet.pdf](http://www.mycatpension.co.uk/Uploads/Docs/General/Tapered-Annual-Allowance-factsheet.pdf)**

You can find a local independent financial adviser through the unbiased website: **[www.unbiased.co.uk](http://www.unbiased.co.uk)**

## TPAS dispute resolution moved to Pensions Ombudsman

The Pensions Advisory Service’s (TPAS) dispute resolution function has moved to the Pensions Ombudsman. The transfer aims to ensure a smoother customer journey and improved complaints handling.

**[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)**

## Money and Pensions Service

The Pensions Advisory Service (TPAS) has merged with two other government services, Pension Wise and the Money Advice Service, into a new Single Financial Guidance Body (which will very shortly be renamed the Money and Pensions Service).

Although the public will not see any changes immediately, the aim is ultimately to create a new umbrella organisation, bringing together for the first time the provision of debt advice, money guidance and pensions guidance.

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

[www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk)

[www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)



# CONTACT US

If you have any questions about the information in this newsletter or your benefits in the Plan, please get in touch with the Caterpillar Pensions Team:

**Tel:**

0845 601 4777 option 1, option 6, option 1

**Email:**

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

**Website:**

[www.mycatpension.co.uk](http://www.mycatpension.co.uk)

**Important note**

Please note that no part of this newsletter is intended to provide you with advice in relation to your specific circumstances. In particular, you should not rely on this newsletter for financial or legal advice. Every effort has been made to ensure the accuracy of this newsletter. This newsletter does not confer rights to benefits. Rights to benefits may only be conferred by the Trust Deed and Rules of the DB Plan as it may be amended from time to time. Statements as to tax matters are given in good faith but no representation is made as to the accuracy of any such statements.



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