

ENGINEERING YOUR FUTURE

The newsletter for members of the Caterpillar Defined Contribution Pension Plan

2020



CATERPILLAR[®]

CATERPILLAR DC PLAN



WELCOME

Welcome to your DC Plan newsletter. It's been designed to help you understand how the DC Plan works, covers the key points from the Trustee's formal Annual Report and Accounts and keeps you informed of the latest pension developments.

Remember, you can find out more about the DC Plan at any time by going to our general pensions website: www.mycatpension.co.uk. There are guides, factsheets and videos to help you plan for your future, while you can also access our secure member website, OneView, from the home page to view and update your own pension details. If you're an active member of the DC Plan, you can access OneView directly through the Company's systems without having to log in again.

Later this spring, there will be three vacancies on the Trustee Board for member-nominated Trustee Directors (MNTD). If becoming involved with running the DC Plan is something that interests you, turn to page 10 to find out more about the process and how to apply.

This will be the first time that former DB Plan members are reading this newsletter, having joined the DC Plan on 1 January 2020 when our final salary pension scheme closed to future pension build-up. I hope you enjoy reading this newsletter. If there's anything you'd like to see covered in a future issue, or topics you feel would be useful, please get in touch using the contact details on page 16.

“When contacting the Pension Administration Team during this difficult time, it would be helpful if you could do so either by telephone or email, using the contact details on page 16”

Please note that, following Government advice against non-essential travel and contact in relation to the coronavirus, the Pension Administration Team will be working remotely and aim to continue to support our members by maintaining business as usual. When contacting the Team, it would be helpful if you could do so either by telephone or email, using the contact details in this newsletter (page 16). Post will be managed, however there may be a delayed response time.

We have uploaded onto www.mycatpension.co.uk a short note about the impact of Covid-19 on pensions and investments, should you be concerned about the performance of your DC Plan investments during these unprecedented times.

In the meantime, please make use of these websites to provide support during this difficult time.

www.moneyadvice.service.org.uk/en/articles/coronavirus-and-your-money

www.moneyadvice.service.org.uk/en/articles/coronavirus-what-it-means-for-you

Anna Lee

Chair of Trustees

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PLAN NOTICEBOARD

Plan communications: what can you expect in 2020?

The Trustee has identified member communication and education as one of its priorities for 2020.

As well as issuing a document giving highlights of the Chair's DC Statement, we will also be issuing postcard reminders to all members in Q4, to let you know your annual benefit statement is available to view on Mercer OneView.

You can go online to find copies of all the newsletters, the latest Chair's DC Statement and the Highlights document (which was posted to active members last month and is enclosed in this newsletter for deferred members). Go to www.mycatpension.co.uk



Throughout the year, we will also be using different channels to remind you of the following important messages, which can all play a vital role in helping you get the best outcome from your pension plan:

- Go to www.mycatpension.co.uk to access OneView, the secure member website, where you can see your pension information online and change your personal details any time.
- Remember to complete/update your beneficiary form online through OneView (active and deferred members). Only three in 10 members have provided their beneficiary information... **are you a member who has not?**
- Consider if you want to increase your pension contribution (active members).

We have begun building educational presentations with a view to delivering these online at first – and hopefully face to face for active members later on. These presentations will deliver a variety of messages to help members through the early stages of their savings journey to the point at which they wish to draw an income.

Contact details

It's important that we have your latest contact details so we can pay your benefits without delay. Deferred members can update their contact details on OneView, while active members need to update their address on the HR system.

Your pension online: Mercer OneView

Have you used Mercer OneView yet? This secure member website, provided by our Plan administrator, helps you stay up to date with the Plan and keep track of your retirement savings.

You can use Mercer OneView to check your account at any time and find your latest benefit statement.

It's easy to log into Mercer OneView via the pensions website at www.mycatpension.co.uk. If you're an active member, you'll need your CWS ID; if you're a deferred member, you'll need your registered username and password.

What can I do online?

Mercer OneView allows you to:

- check how much money is in your account
- see your annual benefit statement
- review how your account is invested and make changes
- amend your target retirement age
- view and update your personal details, if you're a deferred member (active members need to update their HR record if they change address)
- update your beneficiary nomination details to tell the Trustee how you would like them to consider the payment of any death benefits
- use the retirement planning tools to see how different variables would affect your benefits, e.g. changing your contributions or retirement age or taking a tax-free lump sum.



PLAN NOTICEBOARD CONTINUED

Benefit statements move online

Please note that Mercer will no longer post a paper copy of your annual benefit statement to you. You'll need to log in to OneView to see your latest statement – but don't worry, we'll send you a reminder closer to the time to let you know it's available online. It's a good idea to let us have your personal email address, so that we can let you know when we've added important updates or personal documents to your OneView page.

FOR ACTIVE MEMBERS:

please send your preferred email address to **caterpillardc.pensions@mercer.com** with a note of your employee number. Mercer will then update your record so we can communicate with you electronically.



FOR DEFERRED MEMBERS:

please update your email address through your OneView account.

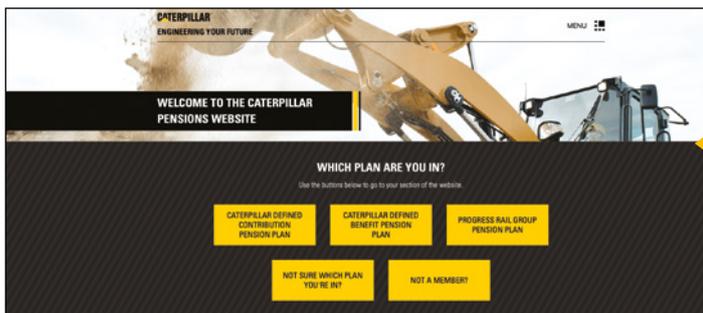


Death-in-service benefits

The Plan's standard death-in-service benefit is a multiple of your basic pay. For some higher earners, this may take your benefits above the Lifetime Allowance (LTA) and any amount in excess of the LTA is taxable. A change to life cover has been made so that if your death benefits would be over £500,000, you will automatically move out of the standard life assurance policy into the Group Life Excepted policy. Where death in service benefits are held in a Group Life Excepted Policy they do not count towards the LTA.

Investment charges

It's a requirement for pension trustees to include in their Annual Report and Accounts a statement from the Chair on the impact of costs and charges on members' DC Plan savings. The full statement is available online at **www.mycatpension.co.uk**, under the DC Plan's library/general, but we have also produced a communication that sets it out in a more visual way. The Highlights document is enclosed in this newsletter for deferred members, while active members have already received theirs.



Have you updated your target retirement date?

Don't forget to check that your target retirement date (TRD) still fits with your plans for the future. If you're using the default fund or one of the other lifestyle options, your TRD controls when your assets are switched from growth to more stable assets. Within the Plan, you can choose to retire any time after age 55. If you have not selected a TRD, you will be targeting retirement at age 65. If you plan to retire at a different age, you can choose a different TRD and this can be amended through OneView or by contacting Mercer on 0344 854 3338. However, you should take **extreme care** if changing your investment approach during this uncertain time. We would recommend you take financial advice before changing your TRD, especially if you are approaching retirement.

Here's how to update your TRD on OneView:

- ▶ Go to www.mycatpension.co.uk
- ▶ Click on the DC Plan button
- ▶ Sign in using CWS-ID or via Mercer OneView
- ▶ Click on 'view details'
- ▶ Click on 'view investments'
- ▶ Scroll down the page and you will see Investment Choices – click on 'manage investments'
- ▶ Click on 'select lifestyle strategy'
You will see Target Retirement Date – would you like to change your retirement date – add your preferred date here
- ▶ Re-confirm your Lifestyle strategy – cash, annuity or drawdown, press continue

Remember, before making investment changes, we would recommend you take independent financial advice.

PLAN NOTICEBOARD CONTINUED

Leaving and rejoining the Plan

While you're an active member, if you leave the Plan and then decide to rejoin it at a later date, you'll be classed as a 'late entrant' to the Plan for the purposes of death-in-service and income protection benefits. This means medical underwriting may be required and your benefits may be restricted.

Depending on where you work, you might not be covered for income protection benefits until you have been a member of the Plan for at least five continuous years – so think carefully before deciding to opt out of the Plan, as you'll lose out on more than just the Company's contributions.

Have you updated your nomination of beneficiaries?

Please remember to make sure that you've completed an up-to-date Beneficiary Nomination Form. This tells the Trustee who you would like to receive any benefits that are payable in the event of your death.

Even if you no longer work for the Company, it's important to keep your nomination of beneficiaries up to date, especially if your circumstances have recently changed, such as if you've got married or divorced or had a child. You can update your nomination online through Mercer OneView.

If you joined us from the DB Plan, you'll need to complete a separate form for each plan.



THE TRUSTEE BOARD

The DC Plan is run by a Board of Trustee Directors which includes four who are appointed by the Company and four who have been nominated by the members of the Plan. You can find out more about each of the Trustee Directors on the pensions website.

There have been no changes to the Trustee Board during the year to 30 September 2019.

Company-appointed Trustee Directors

Barbara Henry
Adam Lambert
Robin Woodward
Daryl Steele

Member-nominated Trustee Directors

Anna Lee, Chair of Trustee
Paresh Desai
Adrian Forrester
Nick Morgan

The Trustee Directors have appointed the following professional advisers to help provide the specialist expertise that is needed to ensure that the Plan is run in compliance with legal and regulatory requirements.

Administrator

Mercer Limited

Auditor

PricewaterhouseCoopers LLP

Legal adviser

Slaughter and May

Investment adviser

Mercer Limited

Secretariat services

Inside Pensions

Bankers

HSBC plc
Royal Bank of Scotland

Investment manager

Legal & General
Investment Management

THE TRUSTEE BOARD CONTINUED

Member-nominated Trustee Directors (MNTDs) vacancies on the Board

The Caterpillar DC Pension Trustee is seeking nominations to fill three member-nominated Trustee Director (MNTD) vacancies that have become available on the Board.

The Trustee has produced a pack of information about being an MNTD along with details of the application and selection process.

Should you be interested in learning more about the role, please contact Inside Pensions, the advisers who have been appointed to provide secretarial support to the Trustee, at caterpillar@insidepensions.com. Applications close on 8 May 2020.



PENSIONS NEWS

Pension tax allowance – changes for high earners

In his March budget, the Chancellor Rishi Sunak announced that no one who earns less than £200,000 a year will be affected by the tapered Annual Allowance. The tapered Annual Allowance gradually reduces the Annual Allowance for those on high incomes, meaning they are more likely to face an annual tax charge on their pension contributions. Mr Sunak raised the point at which the tapered Annual Allowance kicks in from £150,000 to £240,000, as of April 2020. The Chancellor also announced measures to reduce the minimum Annual Allowance to £4,000 for those with incomes above £300,000 (the previous minimum Annual Allowance which applied to the highest earners was £10,000).

We will update the tax allowance factsheet on the pensions website in due course and provide an example calculation to reflect the new situation, which will take effect on 6 April 2020 (the start of the new tax year).

Lifetime Allowance increase

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.

The LTA rises annually with inflation as measured by the Consumer Prices Index. From April 2020, the LTA is £1,073,100 for the 2020/21 tax year.



Government launches mid-life MOT

The Department for Work and Pensions (DWP) has launched a website to help people carry out a 'mid-life MOT' – basically a check-up on your finances, much as someone might receive a health check-up from their GP.

The website offers free online support to help you make decisions that will ensure the future retirement you want, looking specifically at work, health and wealth.

It includes information on the State pension and caring responsibilities and links to The Pensions Advisory Service, the Money Advice Service and Pension Wise, which have merged into the Money and Pensions Service. For more details, go to: www.yourpension.gov.uk/mid-life-mot

How much are you going to need in retirement?



The Pensions and Lifetime Savings Association (PLSA) has launched 'Retirement Living Standards', to help people picture their future retirement and understand what they need to save to achieve that.

The PLSA's research shows that only 23% of people understand how much they need to save. As part of their research, they asked consumers for their views on how much they would need to live on in retirement. This suggested that a single person will need £10,000 each year as a minimum income, £20,000 for a moderate standard of living and £30,000 to be comfortable. For couples, the equivalent numbers are £15,000, £30,000 and £45,000 each year.

The PLSA has built a website where you can explore the different categories in more detail, to picture what life in retirement could look like: www.retirementlivingstandards.org.uk

Could you spot a pension scam?

Scammers are targeting pension pots of all sizes – make sure you know how to spot the signs.

Increasingly sophisticated, scammers are articulate and financially knowledgeable with credible websites, testimonials and materials. They promise high returns and low risk, but in reality, pension scams can leave you with nothing. Scams often involve unusual, high-risk investments like overseas property, renewable energy bonds, forestry, parking or storage units. If it sounds too good to be true, it probably is.

Scams are devastating, with many people losing their life savings. In addition, you could then face a high tax bill from HM Revenue and Customs if you withdraw your savings before age 55.

Pension scams can be hard to spot, and anyone can be a victim, no matter how savvy you think you are. The warning signs include:

- **unexpected contact** – cold-calling about pensions is illegal so just hang up. Similarly, if you get unexpected texts or emails, ignore them.
- **time pressure** – time-limited offers such as bonuses or discounts
- **social proof** – fake reviews
- **unrealistic returns** – it's too good to be true
- **false authority** – claiming to be regulated. You can check if the firm is FCA-authorised.
- **flattery** – building a friendship with you to lull you into a false sense of security.

For more information about pension scams and how to avoid them, please see www.fca.org.uk/scamsmart where you can also try out the FCA's pensions scam quiz.

THE PLAN IN NUMBERS

At 30 September 2019, the Caterpillar DC Pension Plan was worth £487 million – an increase of around £46 million over the previous year.

DC Plan at the start of the year	£441,613,000
MONEY IN	£44,569,000
MONEY OUT	£20,281,000
Increase in market value of investments	£21,376,000
DC Plan at the end of the year	£487,277,000

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.

MONEY IN

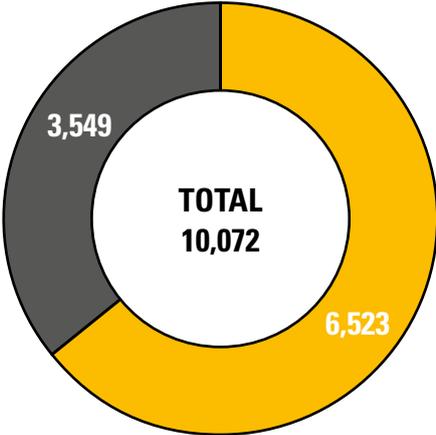
Company contributions	£33,023,000
Member contributions	£6,344,000
Payments from insurance companies	£521,000
Administration charge to the business	£3,848,000
Transfers in from other plans	£832,000
Investment income	£1,000

MONEY OUT

Annuities bought	£965,000
Lump sums at retirement	£708,000
Death benefits	£613,000
Transfers to other plans	£14,180,000
Investment management costs	£682,000
Administration expenses	£882,000
Payments to insurance companies	£2,251,000

WHO'S IN THE PLAN?

Plan membership increased by over 580 during 2019.



● DEFERRED MEMBERS ● ACTIVE MEMBERS

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.



CONTACT US

If you have any questions about the Plan, please contact the Plan's administrator, Mercer.

Call us:

0344 854 3338 (8.30am to 5.30pm, Monday to Friday)

Email:

caterpillardc.pensions@mercer.com

Write to us:

Caterpillar Defined Contribution Pension Plan
Mercer Limited
PO Box 434
Westgate House
52 Westgate
Chichester PO19 3ZU

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 financial advice from an independent financial adviser. If you do not have a financial adviser, the government's Money and Pensions Service at www.maps.org.uk provides free and impartial information about choosing a financial adviser, as well as lots of information about personal pensions and choosing investments. All information in relation to taxation, National Insurance and the State pension have been provided in good faith as at the date of publication of this newsletter, but no representation is 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 amended from time to time.



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