

# ENGINEERING YOUR FUTURE

The newsletter for members of the Caterpillar Pension Plan

2020



**CATERPILLAR®**

CATERPILLAR DB PLAN



# WELCOME

**Welcome to the Trustee's annual newsletter to members of the Caterpillar Pension Plan (DB Plan), which provides a summary of the Plan's formal Annual Report and Financial Statements for the year ended 30 September 2019. We also use this newsletter as an opportunity to update you on what's been happening in the Plan and the wider pensions world too since the last time I wrote. I hope you find it informative and interesting.**

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 aims 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

The Plan's documents are available on the pensions website, [www.mycatpension.co.uk](http://www.mycatpension.co.uk), under 'DB Plan'.



contact details in this newsletter (page 12). Post will be managed, however there may be a delayed response time.

## **Closure to future pension build-up**

It has been planned for many years, but on 31 December 2019 the DB Plan finally closed to future accrual. This means that active members stopped building up further pension in the Plan and became deferred active members. We have updated the pensions website to reflect these changes, so we now have a section called 'deferred active members'

– i.e. those members who continue to work for Caterpillar – in addition to the existing sections for deferred and pensioner members.

## **Valuation**

The latest full valuation of the Plan is under way, which looks at the position as at 30 September 2019. However, at the time of writing (April 2020), the coronavirus pandemic has affected financial markets around the world, with share prices falling and investors piling into more secure assets such as bonds.

While this market volatility won't be reflected in the valuation results, since the date of the assessment pre-dates the pandemic, we will consider the potential impact on our financial strategy.

The outbreak has created a difficult start to 2020 for many pension schemes, with weakening funding positions. However, the Plan has proved resilient due in part to the changes that the Trustee has made to the investment strategy over recent years. Currently, the majority of the Plan assets are invested in liability-matching investments (where the value of the assets and liabilities move broadly in line with one another) and bonds, which tend to be less volatile in such challenging times.

The Trustee is continuing to monitor the Plan's position closely to ensure the security of our members' benefits.

I hope the information provided in this report helps you understand how the Plan is managed on your behalf. If you have any questions or would like further information, please contact the Pension Team at **ukpensions@cat.com**

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

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# DB PLAN HIGHLIGHTS

(YEAR TO 30 SEPTEMBER 2019)

As at 30 September 2019,  
the Plan was worth  
**£2.2 billion.**



The Plan has  
**12,098 members.**



During the year, the Company  
paid contributions into the  
Plan of **£43 million.**

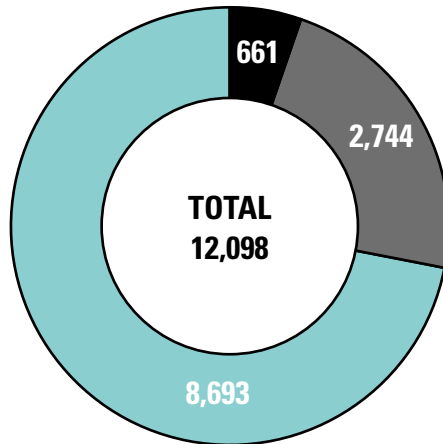


During the year, the Plan  
paid **£60 million** in  
benefits to members.



# WHO'S IN THE PLAN?

**You are one of over 12,000 members of the Caterpillar Pension Plan. As at 30 September 2019, the membership included:**



● ACTIVE MEMBERS\* ● DEFERRED MEMBERS ● PENSIONERS

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.

\*When the DB Plan closed to future accrual on 31 December 2019, the active members became deferred active members. Their DB pensions remain in the Plan. They could have a transfer value.

The deferred active members have been automatically enrolled into the Caterpillar Defined Contribution (DC) Pension Plan, where they are now building up DC benefits.



# THE DB PLAN IN NUMBERS

As at 30 September 2019, the Caterpillar Pension Plan was worth £2.2 billion. Here is a summary of the money paid into and out of the Plan during the year.

**DB Plan at the start of the year** **£1,884,862,000**

**IN** Total income £44,631,000

**OUT** Total expenditure £111,635,000

**+** Increase in market value of investments £305,522,000

**+** Investment income £82,262,000

**DB Plan at the end of the year** **£2,205,642,000**

## MONEY IN

Company contributions	£42,921,000
Member contributions	£962,000
Member voluntary contributions	£650,000
Payments from insurance companies	£98,000

## MONEY OUT

Pensions	£53,534,000
Tax-free cash sums at retirement	£6,705,000
Death benefits	£236,000
Transfers to other schemes	£46,517,000
Refund of members' AVCs and bonus sacrifice	£522,000
Administration expenses	£2,617,000
Investment management costs	£1,504,000

# PLAN NOTICEBOARD

## Mercer OneView

If you are now a member of the DC Plan, you can manage your DC retirement savings online, using the secure member portal, Mercer OneView. Here, you can:

- view how much is in your account
- keep track of your investments
- update your personal information
- make changes to your nomination of beneficiaries.

You can log into Mercer OneView via the pensions website at [www.mycatpension.co.uk](http://www.mycatpension.co.uk) using either your CWS ID (if you are an active employee of the Company) or via Mercer OneView where you can set up a password (if you have left the Company).

## 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 complete the enclosed form and return it to us using the contact details on the back page. Alternatively, you may take a photo of your signed form and email it back to [ukpensions@cat.com](mailto:ukpensions@cat.com)

If you're now an active member of the DC Plan, you'll need to complete a separate form for each plan. For the DC Plan, your beneficiary details can be completed on OneView, the member website.



## 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.



# ACTUARIAL VALUATION

**The latest full valuation looking at the position as at 30 September 2019 is currently in progress. This is a complex process and the results won't be known until later this year. We'll bring you a report in next year's newsletter. In the meantime, here's a reminder of what the valuation involves.**

## **What is an actuarial valuation?**

The Plan actuary carries out a full valuation of the Plan at least every three years. It's a detailed look at the Plan's finances on a given date, in our case, 30 September. The actuary compares the value of the Plan's assets (contributions and investments) with the value of the Plan's liabilities (the fund that is needed to pay the benefits due to members from the Plan).

The Plan's 'funding level' is the percentage of the liabilities at the valuation date that are covered by the existing Plan's assets. If there are more assets than liabilities, there is said to be a surplus; if they're lower, it's known as a shortfall and we need to discuss how to fill the gap with the Company.



## **How is the amount the Plan needs worked out?**

To work out how much the Trustee will need in the Plan in order to pay members' benefits, the actuary makes some assumptions about what will happen in the future, like:

- how long people will live
- what inflation might be
- how the assets will be invested
- what investment returns might be expected.

The Trustee Directors and Caterpillar use this assessment to decide how much needs to be paid into the Plan to pay all current and future pensions in full.



# THE TRUSTEE BOARD

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

## **Company-appointed Trustee Directors**

David Goldspink (Chair)

Jon Beardmore

Laurence Dobney

Lisa Rodgers

## **Member-nominated Trustee Directors**

Tony Foster

Mike Hirons

Pete Mouland

Gavin Padget

You can find out more about the Trustee Directors on the pensions website:

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



## **Advisers to the Trustee Directors**

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

### **Bankers**

HSBC plc

### **Investment adviser**

Mercer Limited

### **Investment managers**

Legal & General Assurance  
(Pensions Management)

Northern Trust Company

Royal London Asset Management

### **Custodian**

Northern Trust Company

### **Legal adviser**

Slaughter & May LLP

# PENSION 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).

## **Equality in pensions**

You may have seen reports in the news on a High Court ruling about Guaranteed Minimum Pensions, commonly called GMPs, which says that all GMPs must be equalised for men and women.

GMPs were built up at different rates for men and women and were payable at different ages, reflecting the different State pension age for men and women at the time. It could affect you if you were an active member of the Plan between 17 May 1990 and 5 April 1997.

The Trustee is working with its advisers on the complex process of adjusting benefits, which will take time to complete. Some men and women may see a small change in their benefits. However, please note that the amounts are likely to be modest. You don't need to do anything as we will contact anyone who is affected in due course.

## 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](https://www.fca.org.uk/scamsmart) where you can also try out the FCA's pension scam quiz.



# CONTACT US

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

**Call us:**

0845 601 4777 option 1, option 6, option 1

**Email us:**

[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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