

Caterpillar Pension Plan

Appendix containing changes since booklets printed

Some changes have been made to the Plan since the booklets were printed in 2007 (some of which are as a result of overriding legislation). Some of these changes apply to all sections of the Plan, whilst other changes only apply to certain sections.

We have set out below a summary of the changes.

Please read the important legal notes at the end of this Appendix.

OVERRIDING CHANGE – Closure of the Plan to future accrual from 31 December 2019

For members who are active members of the Plan on 31 December 2019:

- the Plan will close to future accrual from the end of 31 December 2019
- you will become a 'deferred active' * member of the Plan on and from midnight on 31 December 2019
- you will be automatically enrolled into the DC Plan on 1 January 2020**

For further information regarding the closure of the Plan, please refer to the communications and correspondence issued separately to you.

** There are some differences in treatment for 'deferred active' members compared to 'ordinary' deferred members of the Plan. N.B. If a 'deferred active' member ceases to be an employee of a DB Plan Employer, he becomes an ordinary deferred member of the DB Plan.*

*** Does not apply to active Plan members employed by Caterpillar Financial Services Limited.*

A. LEGISLATIVE CHANGES WHICH APPLY TO ALL SECTIONS OF THE PLAN

1. End of contracting-out and changes to the State Pension

1.1 End of contracting-out¹

- (a) Until 6 April 2016, there were two parts to the State pension:

¹ Changes made by Pensions Act 2014.

- (i) the State Basic Pension (broadly based on the amount of National Insurance Contributions (NICs) a person was treated as having paid); and
 - (ii) the additional earnings related part (State Second Pension).
- (b) Before 6 April 2016, while you were an active member of the Plan, you were contracted-out of the State Second Pension and paid lower rate NICs as a result. In turn, the Plan had to agree to provide a pension at least equivalent to the State Second Pension for you when you retire.
- (c) Contracting-out ended for all pension schemes on 6 April 2016. This means that, since April 2016, all employees pay full rate NICs and build up entitlement to the new State pension (see 3 below). The pension rights you earned in the Plan as a result of being contracted-out before 6 April 2016 remain in force and still form part of your pension.

This change applies from 6 April 2016 and applies to all members who were in Pensionable Service in the Plan on 6 April 2016.

- (d) The new State pension only applies to those who reach State Pension Age after 6 April 2016. If you had reached State Pension Age before 6 April 2016, the new State pension does not apply to you.

1.2 Increases to the State Basic Pension

- (a) The way the State Basic Pension (which applies to people who reached State Pension Age before 6 April 2016) increases once in payment changed with effect on and from 6 April 2011.
- (b) The State Basic Pension now increases annually by the highest of:²
- earnings (the average percentage growth in wages in Great Britain)
 - CPI
 - 2.5%

This change applies on and from 6 April 2011 to anyone who was in receipt of the State Basic Pension on 6 April 2011 and to anyone who started to receive the State Basic Pension on or after 6 April 2011.

² Amended by Government's decision to move to CPI as the measure of price inflation with effect from 6th April 2011.

1.3 Changes to the State Pension³

- (a) A new State Pension was introduced on 6 April 2016. It is a single tier pension payable when you reach State Pension Age. As at November 2019, the full State Pension is currently £175.20 per week.
- (b) The new State Pension only applies to those who reach State Pension Age after 6 April 2016. If you had already reached State Pension Age on 6 April 2016, the new State Pension does not apply to you.

2. Tax limits

2.1 HMRC Annual Allowance

For the 2020/2021 tax year, the annual allowance is £40,000.⁴ If you are a higher earner (i.e. you earn £240,000 or more per annum), your annual allowance is reduced (“tapered down”) to a minimum annual allowance of £4,000 if you earn £300,000 or more. If you earn between £240,000 and £300,000, your annual allowance will be reduced by £1 of every £2 of income.

This change applies to all members of the Plan and applies from 6 April 2016.

2.2 HMRC Lifetime Allowance

For the 2020/2021 tax year, the lifetime allowance is £1,073,100.⁵

This change applies to all members of the Plan unless the member has applied for and been granted a form of tax protection from HMRC (such as enhanced protection or fixed protection) and applies from 6 April 2016.

Comment

Please remember that where the ‘earnings cap’, applied to you under the ‘old’ tax regime for pensions (that is, before 6 April 2006) and you had not retired before that date, the Plan’s earnings cap continues to apply to limit the amount of pay which will count as Pensionable Pay for the purpose of calculating your Plan benefits.

3. Minimum Retirement Age

- 3.1 The earliest age at which you may retire with the Company’s agreement is age 55 (unless you are retiring due to ill health). 55 is the earliest age at which you may retire

³ Changes made by Pensions Act 2014.

⁴ The Annual Allowance was reduced to £40,000 by Section 48 of the Finance Act 2013 which amended Section 228 of the Finance Act 2004.

⁵ The Lifetime Allowance was reduced to £1m by Section 19 of the Finance Act 2016 which amended Section 218 of the Finance Act 2004. Treasury Regulations from 2018/19 onwards specify the amount as increased by CPI. For 2019/20 see SI 2019/29 – the Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019.

from both active membership of the Plan and from deferred status (i.e. after having left employment with the Company).⁶

- 3.2 This change applies from 6 April 2010 and applies to anyone who was an active or deferred member of the Plan on 6 April 2010.

4. Data protection

- 4.1 The Trustees duties and obligations regarding personal data are now governed by the General Data Protection Regulation, which started to apply in the UK on 25 May 2018, and the Data Protection Act 2018.
- 4.2 The Trustee of the Plan has a Data Protection Privacy Policy (the “Policy”) which sets out how it obtains, uses and protects personal data relating to you as a member (and to individuals connected with you) in relation to your membership of, and the benefits provided for and in respect of you, under the Plan. The Policy explains what personal data the Trustee may collect about you, how it aims to keep your personal data safe, what it may use your personal data for, who it might share personal data with and your rights regarding your personal data. Please do take the time to read the Policy, which may be found at https://www.mycatpension.co.uk/Uploads/Documents/00/00/00/80/DocumentDocument_FILE/Caterpillar-GDPR-Privacy-Notice.pdf.

B. SCHEME AMENDMENTS WHICH APPLY TO ALL SECTIONS OF THE PLAN

(Caterpillar UK Section, the Caterpillar UK Management Section, the Caterpillar North East Section, the Caterpillar North East Senior Staff Section, the Perkins Engines Shrewsbury Section, the Perkins Staff Section, the Perkins Engines Stafford Section, the Perkins Works Section and the Turner Section)

1. Death benefits for civil partners and same sex spouses⁷

- 1.1 If you die and leave a same sex spouse or a civil partner, they will be entitled to the same pension benefits* which an opposite sex spouse would be entitled to on your death.

⁶ 55 is the earliest age at which a pension may come into payment as set out in Section 165 of the Finance Act 2004. This is minimum pension age with effect from 6th April 2010 unless a member has a “protected pension age” which allows him or her to retire before age 55. In order to have a protected pension age of less than age 55, a member must, in broad terms, have had an absolute right (i.e. the consent of neither the trustees nor the employer was needed to put the pension into payment) on 5 April 2006 to put the pension into payment upon reaching an age which is earlier than minimum pension age under the Scheme rules as they stood on 10 December 2003. I have included this as a change to the booklet because although the early retirement section of the booklet correctly describes the minimum pension age as 55 with effect from 6th April 2010, the “summary of the plan” section at the beginning of the booklet includes a summary section for “leaving the company” which says that a member can take an immediate pension if they are age 50 or over when they leave if the trustees agree.

⁷ Amended by deed of amendment dated 10 September 2013

- 1.2 The pension benefits payable will depend on whether you die in service, after retirement, or after having left employment with the Company but before starting to receive your pension.
- 1.3 This change applies from 10 September 2013 and applies in respect of any member of the Plan who dies on or after 10 September 2013.

** Specific rules may apply in respect of contracted-out benefits.*

2. Staying in employment with the Company after Normal Retirement Date⁸

- 2.1 If you stay in employment with the Company after Normal Retirement Date, you may choose either:
 - a) to stay in the Plan and continue to earn benefits under the Plan. Your pension will be based on your total Pensionable Service and Final Pensionable Pay at the date you eventually leave employment with the Company and increased by such amounts as the Trustees decide is reasonable in respect of the period, if any, by which commencement of your pension is postponed; or
 - b) to leave Pensionable Service in the Plan (i.e. not earn any further benefits). Your pension will be calculated based on your Pensionable Service and Final Pensionable Pay as at your Normal Retirement Date, and increased by such amounts as the Trustees decide is reasonable in respect of the period by which commencement of your pension is postponed.
- 2.2 If you are a deferred member, and you continue to work after your Normal Retirement Date, you may elect to postpone the start of your pension until you cease to work or until you choose to bring the pension into payment. Your pension will be increased to take account of the period of postponement as determined by the Trustees.
- 2.3 This change applies from 1 December 2006 and applies in respect of any member of the Plan who was in pensionable service on 1 December 2006.

3. Death in Pensionable Service after Normal Retirement Date⁹

- 3.1 If you die in Pensionable Service after your Normal Retirement Date, the lump sum payable will be as described in your booklet in the "Death in Service" section.
- 3.2 Your spouse/civil partner will receive a pension calculated based on the pension you would have received if you had retired from Pensionable Service at the date of your death.

⁸ Amended by deed of amendment dated 11 May 2012

⁹ Amended by deed of amendment dated 11 May 2012

3.3 This change applies from 1 December 2006 and applies in respect of any member of the Plan who was in Pensionable Service on 1 December 2006.

4. **Death after leaving the Company**¹⁰

4.1 If you die after you have left the Company but before you have started to receive your pension from the Plan, the death benefits payable depend on whether you die before or after your Normal Retirement Date.

4.2 If you die before Normal Retirement Date, a lump sum will be payable equal to the aggregate of the contributions you have made to the Plan and any contributions you are deemed to have made by virtue of a transfer in being made to the scheme. Your spouse/civil partner will also receive a pension equal to one half of your deferred pension (including revaluation increases on your deferred pension up to your date of death).

4.3 If you die after your Normal Retirement Date having elected to postpone the start of your pension, as described in paragraph 2.2, the benefits are calculated as if you had retired on the day before your death. A lump sum is payable equal to 5 years of pension instalments. Your spouse/civil partner will receive a pension equal to 50% of the pension you would have been entitled to if you retired the day before your death.

5. **Leaving the Company: transfer to another scheme**¹¹

5.1 If you wish to transfer your benefits to another pension arrangement, and the transfer value of your benefits is greater than £30,000, you are legally required to obtain independent financial advice before the transfer may take place.

5.2 This change applies from 6 April 2015 and applies to all members of the Plan.

6. **Parental Leave**¹²

6.1 During any period of paid parental leave, the same benefits will apply as described under "Family Leave" in the "Absence from Work" section of your booklet in relation to any period of paid maternity, paternity or adoption leave.

6.2 This change applies with effect from 20 January 2016 in respect of any member whose expected week of childbirth is on or after 20 January 2016 and any member whose child has been placed with them for adoption on or after 20 January 2016.

¹⁰ This is not a change which has been made since the booklets were published but I have included it because the booklets do not make the distinction between the benefits payable on death in deferment before or after NRD.

¹¹ Requirement introduced by Section 48 of the Pension Schemes Act 2015

¹² Amended by deed of amendment dated 20 January 2016

C. CHANGES WHICH APPLY TO NORTH EAST SECTION AND NORTH EAST SENIOR STAFF SECTION

1. Underpin for Members in Pensionable Service on 16 May 1990¹³

1.1 If you are a man and you leave Pensionable Service after your 60th birthday, that part of your pension earned for Pensionable Service after 16 May 1990 shall not be less than:

- (a) If you had not reached age 60 on 22 June 2011, the pension that would have been payable on your 60th birthday had you left Pensionable Service on that date, increased by such amount as the Trustees decide to take account of the period (if any) between your 60th birthday and the date you actually leave Pensionable Service; or
- (b) If you had reached age 60 on or before 22 June 2011, the pension that would have been payable on 22 June 2011 had you left Pensionable Service on that date and increased by such amount as the Trustees decide to take account of the period (if any) between 22 June 2011 and the date you actually leave Pensionable Service.

1.2 This change applies in respect of any member of the North East Section or North East Senior Staff Section who was in pensionable service on 22 June 2011.

2. Death in Deferment before Normal Retirement Date¹⁴

2.1 If you die after leaving employment with the Company before Normal Retirement Date, the pension payable to your spouse/civil partner is calculated as 1/160 of your Final Pensionable Pay for each year of contracted-out employment, plus each year of Pensionable Service from 6 April 2016. In other words, even though the Plan is no longer contracted-out, the spouse's pension will include a portion of any pensionable service you complete after 6 April 2016 when the Plan ceased to be contracted-out.

2.2 This change applies with effect from 6 April 2016 and applies in respect of any member of the North East Section or the North East Senior Staff Section who was in pensionable service on 6 April 2016.

D. CHANGES WHICH APPLY TO THE TURNER SECTION¹⁵

1. Increases to pensions in payment

1.1 Your pension which relates to Pensionable Service completed before 6 April 1997 will increase automatically by RPI capped at 5%. Previously, any increases to your pension

¹³ Amended by deed of amendment dated 22 June 2011

¹⁴ Amended by deed of amendment dated 24 March 2016

¹⁵ Amended by deed of amendment dated 31 May 2013

which related to Pensionable Service completed before 6 April 1997 were entirely discretionary.

- 1.2 This change applies with effect from 1 April 2013 in relation to all members of the Turner Section.

E. CHANGES WHICH APPLY TO THE PERKINS WORKS SECTION AND THE PERKINS STAFF SECTION

1. Increases to pensions in payment¹⁶

- 1.1 Your GMP in relation to pension accrued after 31 March 1993 will be increased by a fixed rate of 3% per annum.
- 1.2 This change applies with effect from 1 October 2000 in relation to all members of the Perkins Works Section and the Perkins Staff Section.

F. CHANGES WHICH APPLY TO THE PERKINS SHREWSBURY SECTION

1. Definition of Pensionable Pay¹⁷

“Pensionable Pay” is defined as your basic annual pay less a deduction equal to the single person’s State Basic Pension. Since contracting-out ended on 6 April 2016, and the new State Pension applies to individuals who reach State Pension Age after 6 April 2016, the amount of the State Basic Pension used to calculate your Pensionable Pay will be the amount of the State Basic Pension in force on 6 April 2016, which will be increased in accordance with the legislation which sets out how the state pension is to increase.

This change applies with effect from 6 April 2016 and applies in respect of any member of the Perkins Shrewsbury Section who was in pensionable service on 6 April 2016.

Important legal notes

This document is a summary for information only and confers no rights to benefits. Rights to benefits are conferred only in accordance with the Trust Deed and Rules of the Caterpillar Pension Plan, as amended from time to time. In the event of any discrepancy, the Trust Deed and Rules of the Plan shall prevail. All information in relation to tax matters and National Insurance is provided in good faith as at the date of this document, but no warranty or representation is made as to the accuracy of any such statements.

¹⁶ Amended by deed of amendment dated 31 May 2013

¹⁷ Amended by deed of amendment dated 24 March 2016