

ENGINEERING YOUR FUTURE

The newsletter for members of the Caterpillar Defined Contribution Pension Plan

2021



CATERPILLAR[®]

CATERPILLAR DC PLAN



WELCOME

When I last wrote to you in spring 2020, I had hoped that things would be back to normal by the time the next newsletter rolled around!

But, unfortunately, the pandemic is still with us and the revised processes we had adopted, originally envisaged to be short-term measures, remain in place. We all would have noticed a temporary dip in our pension plan values last year, especially as the Plan administrator runs the figures on 5 April each year in order to produce your annual benefit statements. Fortunately, those values have more or less recovered to where they were at the start of 2020, depending on how your account is invested. We're encouraged by the UK's vaccination programme, but we must not forget that we are still dealing with a global pandemic.

Despite the challenges of Covid-19, we had a good response to our call last year for nominations to fill vacancies on the Trustee Board. I'd like to welcome Paul Athey and Allister Dennis, who were both appointed as member-nominated Trustee Directors on 16 June 2020, and thank everyone who showed an interest in this important role.

As we head into 2021 and hope for a return to normality soon, this is a good time to remind you about the importance of maintaining beneficiary details, especially in the current environment. This nomination is useful in guiding the Trustee to make sure that your benefits are paid according to your wishes.



And, as usual, we also provide an overview of the Plan's financial activities during the year, taken from the Trustee's full report & accounts, which is available on request from Mercer.

I hope the information provided in this newsletter helps you understand how the Plan is managed on your behalf. If you have any questions or would like further information, please contact Mercer using the details on the back page.

Anna Lee
Chair of Trustees

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PLAN NOTICEBOARD

Planning to retire soon?

Most of our members can take their Plan benefits once they reach age 55. Please be aware that the retirement process can take up to three months to complete – so it's best to leave yourself plenty of time. Here's what you need to do:

STEP 1

YOU



Please contact the Plan administrator, Mercer, to start the process.

STEP 2

MERCER



Mercer will send through your fund value and confirmation letter to your home address. You can also view your pension information on OneView.

STEP 3

MERCER / HL



Mercer will contact Hargreaves Lansdown (HL), who have been appointed to provide a retirement service to members. HL will automatically send you details of your pension income figures (if you were to buy an annuity) and other options available.

STEP 4

YOU



Once you've received your pack from HL, contact them if there's anything you don't understand or to discuss the options. You may also want to contact Pension Wise, the Government's free retirement guidance service. Based on these discussions, you may decide that you need to take financial advice before making a final decision.

STEP 5 YOU



Decide how/if you want to proceed. Should you decide to take up an option offered through HL, complete the paperwork and return it to HL.

Please note, if you're an active member planning a flexible retirement (where you continue working for Caterpillar), you must first opt out of the Plan. Mercer can't process your retirement payment if they are still receiving contributions from you. The opt-out form is on the DC Plan website.

STEP 6 MERCER/HL



HL will acknowledge receipt of your paperwork and liaise with Mercer to transfer your funds to your requested provider. Mercer will pay your tax-free lump sum. HL will confirm timescales.

STEP 7 HL



HL will confirm to you when the arrangement is in place.

If you're not retiring but leaving the Company, Mercer will send you a leaver statement, confirming your fund value at that time.

If you want to retire, you will need to follow the process above.

If you decide to transfer your benefits to an alternative arrangement, you will need to complete the transfer-out form available from Mercer.

If you have less than £10,000 in your Caterpillar pension pot, you may be able to cash in the pot under the small pot lump rules – receiving 25% as tax-free cash, with the remainder taxed as income.

PLAN NOTICEBOARD CONTINUED



Making difficult decisions

The Retirement Benefits Liaison Council (RBLC) comprises five groups that work with the Trustee to make decisions about the payment of death and ill-health benefits. They also comment on pension communications, help with pension projects, and assist members to find out more about their Plan. They meet on a quarterly basis.

The groups cover the following cities/regions:

- Peterborough
- Leicester
- North East
- West of England
- Northern Ireland

Think of your loved ones

One of the most difficult tasks faced by the Trustee Directors is to decide what to do with a member's personal account if they die without completing beneficiary details. With the help of the Retirement Benefits Liaison Council (see previous page), we have to investigate that member's circumstances and decide who to pay. This can take a long time, and despite our best efforts, it might cause a delay in paying any benefits that are due, especially if your personal life is 'complicated'.

Without a Beneficiary Nomination to guide the Trustee, you must consider the possibility that the money you have saved up in your DC Plan account is paid out to someone you had no intention of rewarding in this way.

Obviously, we hope that you'll be taking the money from your account yourself, but in case the worst should happen, an up-to-date Beneficiary Nomination guides the Trustee with their decision and reduces delays.

You can update your beneficiary details on Mercer OneView. If you also have deferred benefits in the DB Plan, you need to complete a separate form for its Trustee.



PLAN NOTICEBOARD CONTINUED

OneView is waiting

Since Mercer took over the administration of the DC Plan in 2018, an increasing number of members have registered for their secure member website, Mercer OneView.

OneView makes it easy for you to keep track of your retirement savings and update your details. This is also where you'll find your annual benefit statement, which is no longer posted to members.

You can log in to Mercer OneView via the pensions website at www.mycatpension.co.uk. If you're an active member, you'll need your CWS ID to log in. Deferred members will need their 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
- use the retirement planning tools to understand your options
- obtain a transfer value.

Check your Target Retirement Date (TRD)

If you're using the default fund or one of the other lifestyle options, it's really important to choose a TRD that's right for you. This is because the automatic switching of investments to reduce risk is based on your TRD.

If you leave your TRD as your 65th birthday, but you're actually hoping to retire earlier, it could mean your savings are invested in a growth fund too close to retirement. If there's a sudden downturn in the financial markets, your savings might not have time to recover. Similarly, if you've chosen age 55 but find you want to continue working a bit longer, your investments will have started switching into less volatile funds too soon, and you might miss out on some investment growth.

Take the shortcut... to the pensions website

Did you know you can easily add a shortcut to your phone or tablet's home screen that takes you straight to the pensions website? There's no need to keep typing in the website address every time – the shortcut icon takes you to the home page in one click, where you can find the latest news from the DC Plan or sign in to Mercer OneView.

On your phone or tablet, first go to www.mycatpension.co.uk and then:

iPhone/iPad:

1. Click the share button
2. Choose 'add to home screen'

Android:

1. Tap the menu button
2. Choose 'add to home screen'

The shortcut will appear on your home screen like any other app shortcut or widget. Our pensions website is fully responsive, and so it automatically adapts to whatever device you're using to view it on.

We've also added some new videos to the website, looking at investments, contributions and death benefits, so why not take a look?

You can change your TRD at any time via Mercer 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.

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.

Following a successful member nomination process last year, two new member-nominated Trustee Directors (MNTD) joined the Board – Paul Athey and Allister Dennis. You can read their biographies on the pensions website. The Chair, Anna Lee, had originally joined the Board as an MNTD but became a Company-appointed Trustee Director on the resignation last year of Robin Woodward.

Company-appointed Trustee Directors

Anna Lee (Chair)

Barbara Henry

Adam Lambert

Daryl Steele

Robin Woodward (resigned 16 June 2020)

Member-nominated Trustee Directors

Paul Athey (appointed 16 June 2020)

Allister Dennis (appointed 16 June 2020)

Paresh Desai

Adrian Forrester (resigned 16 June 2020)

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



PENSIONS NEWS

Looking ahead at the LTA

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. For the last three years, the LTA has risen annually with inflation as measured by the Consumer Prices Index and was due to increase again in April 2021. However, in the March Budget, the Chancellor announced that the LTA will be frozen at its current level (£1,073,100) until at least April 2026.

How much are you going to need in retirement?

Here's a reminder to check out www.retirementlivingstandards.org.uk, a website created by the Pensions and Lifetime Savings Association (PLSA) to help people understand what they need to save to achieve a basic, moderate or comfortable retirement.

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.

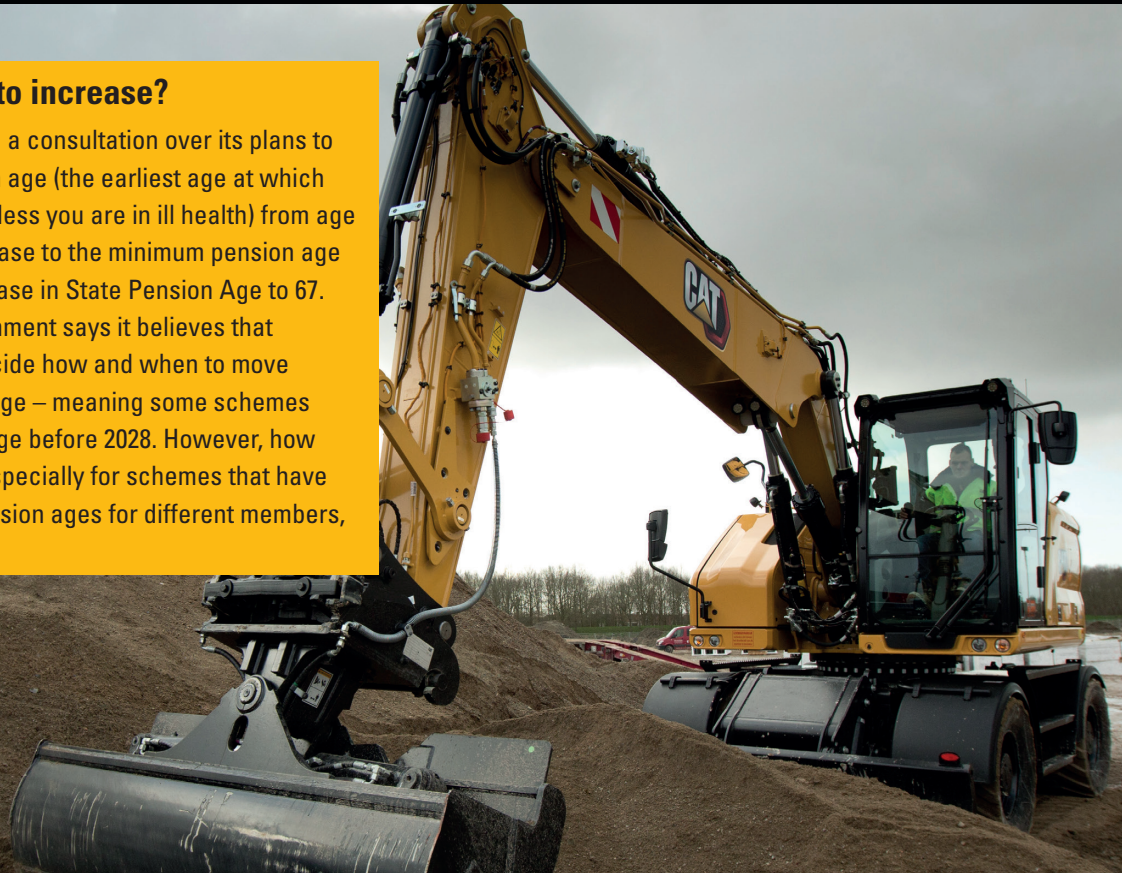
Pensions dashboards

Last year, Covid-19 halted progress of the new Pension Schemes bill through Parliament as emergency health measures needed to be hurried through. However, the bill has now become law (February 2021) and includes long-awaited rules for the proposed pensions dashboards, which will allow people to access their pensions information online, securely and all in one place. Dashboards, now scheduled for 2023, aim to provide clear information about an individual's multiple pension savings, including the State Pension and help people locate any lost pensions.



Minimum pension age to increase?

The Government has launched a consultation over its plans to increase the minimum pension age (the earliest age at which you can draw your pension unless you are in ill health) from age 55 to age 57 in 2028. This increase to the minimum pension age would be in line with the increase in State Pension Age to 67. In the consultation, the Government says it believes that schemes should be free to decide how and when to move to the new minimum pension age – meaning some schemes could increase the minimum age before 2028. However, how this would work in practice, especially for schemes that have different historic minimum pension ages for different members, is not yet clear.



THE PLAN IN NUMBERS

At 30 September 2020, the Caterpillar DC Pension Plan was worth £515 million – an increase of almost £28 million over the previous year.

DC Plan at the start of the year	£487,277,000
Money in	£46,651,000
Money out	£24,634,000
Increase in market value of investments	£5,857,000
DC Plan at the end of the year	£515,151,000



MONEY IN

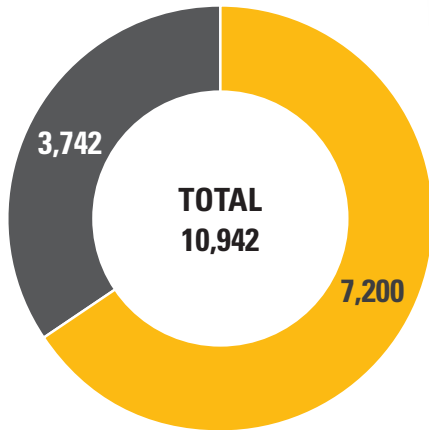
Company contributions	£35,573,000
Member contributions	£4,155,000
Payments from insurance companies	£3,337,000
Administration charge to the business	£2,331,000
Transfers in from other plans	£1,255,000
Subtotal	£46,651,000

MONEY OUT

Annuities bought	£945,000
Lump sums at retirement	£486,000
Death benefits	£4,056,000
Transfers to other plans	£15,190,000
Investment management costs	£767,000
Administration expenses	£1,158,000
Payments to insurance companies	£2,032,000
Subtotal	£24,634,000

WHO'S IN THE PLAN?

Over 1,000 new members joined the DC Plan during the year, including employees from the DB Plan, which closed on 31 December 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. Previous years' reports are available from Mercer.



CONTACT US

If you have any questions about the Plan, please contact the Plan's administrator, Mercer. They have a new online contact portal available, at www.contact.mercer.com/blue

Or, if you prefer, you can call, email or write to them in the usual way.

Call us:

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

Email us:

caterpillardc.pensions@mercer.com

Write to us:

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

Keep in touch

It's important to let us know if you move home so that we can always reach you with details about your benefits. Deferred members can update their contact details on OneView, while active members need to update their address on the HR system.

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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