

# ENGINEERING YOUR FUTURE

The newsletter for members of the Caterpillar Defined Contribution Pension Plan

2022



**CATERPILLAR®**

**CATERPILLAR DC PLAN**



# WELCOME

**I feel very privileged to be writing to you as the new Chair of the Caterpillar Defined Contribution (DC) Pension Plan, having taken over the reins from Anna Lee, who retired from Caterpillar last year.**

Anna first served as a Member-Nominated Trustee Director and then became your Chair in 2018. I would like to thank Anna for her dedication to the Plan and wish her all the very best for the future.

The Caterpillar DC Plan was set up in 2005, which means many of our members have been building up their retirement savings for a long time. Knowing that this money is being looked after is obviously going to be important to you, so your Trustee Board is determined to provide you with the information you need, when you need it.

One way is through this newsletter, which we have sent out every March for the last seven years. We also moved the Plan administration to Mercer in 2018 so that you could use their member self-service website (Mercer OneView) to track your individual retirement savings in the Plan.

Mercer OneView can be used to check your fund value, change your investment choices, update your beneficiary details, use the retirement calculator and much more. It can be accessed via **[www.mycatpension.co.uk](http://www.mycatpension.co.uk)**

Our pensions website, **[www.mycatpension.co.uk](http://www.mycatpension.co.uk)**, holds a lot of useful information about your pension, investments and retirement savings. On page 6 there's an article summarising the latest additions to the website, which includes a series of short educational videos on particular topics.

If you still work for the Company and wish to quickly and easily change your contribution rate, you will soon be able to do this using Workday. Communications on this will follow before the launch.

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 (contact details can be found on page 16).

**Barbara Henry**  
**Chair of Trustees**



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# PLAN NOTICEBOARD

## Five things to do today

### 1 Review your investment options

The Plan offers you a range of investment choices, including three lifestyle strategies where your investments are managed for you. Depending on how you wish to use your pension account when you retire, you can pick a lifestyle strategy that matches your plans. At retirement, your options are to:

- buy an annuity (a secure income for life)
- use income drawdown (keep your money invested and take cash when you need to)
- take cash
- use a combination of these options

If you prefer to take a more hands-on approach to your investments, you can choose from the Plan's range of freestyle investment funds. If you do not tell us how you would like your contributions invested, they will be invested automatically in the Lifestyle – Flexible Drawdown strategy.

Whichever you use, remember to review your investments regularly to make sure you're on track with your plans for the future.

### 2 Check your retirement age

The Plan's normal retirement age is 65, but if that seems too late – or too early – you can easily update it. It's especially important to check your retirement age if you're using one of the lifestyle strategies, because the automatic switching of your investments to reduce risk begins 10 years before your retirement date.

If we think you're going to retire at 65, but you're actually hoping to retire earlier, it could mean that your savings are still invested in a growth fund too close to your retirement. If there's a sudden downturn in the financial markets, your retirement savings might not have enough 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. It's a good idea to check your retirement age on OneView from time to time to make sure it still fits with your retirement plans.

### 3 Update your wishes

Don't forget to complete a beneficiary nomination form that reflects your current circumstances. This is particularly important if you get married or divorced, enter or leave a civil partnership, or have a child. In the event of your death, an up-to-date form helps us quickly and easily identify anyone you would like to receive any benefits that are payable. You can make changes to your wishes at any time directly on Mercer OneView or by downloading the form from the Materials & Downloads area of Mercer OneView.



### 4 Check your contributions – what's the right amount?

The amount of money you have in retirement will depend on the value of your pension account when you retire. This depends on the contributions that have been paid in together with any investment growth over the years.

Paying just a little bit more could make a big difference, but costs less than you think. You don't have to pay tax on your pension contributions (up to maximum HMRC limits), which means that if you're a basic rate taxpayer, every £1 you contribute actually only costs you 80p. You will also make National Insurance savings (unless you've opted out of paying your contributions through Salary Sacrifice).

### 5 Get help and guidance

If you need some information and guidance with pensions and money matters generally, MoneyHelper is a free government service that helps with financial planning, pensions and debt advice. Here you can also access the Pension Wise service, if you are aged over 50. Go to [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

# PLAN NOTICEBOARD CONTINUED

## Videos for one and all

The Caterpillar Pensions Team has been hard at work creating a suite of retirement education videos for DC Plan members that help to explain how your pension works.

We've got a video that explains 'pension basics' and a follow-up 'intermediate' video that goes into more detail. You can also find out how to update your nominations and why you should think about paying more into your pension.

We have also added two videos about retirement:

- **DC pension retirement journey**, including the options at retirement and where to seek further guidance and support
- **DC retirement process**, including preparing to take your benefits and using Mercer's retirement illustrator

Check them out in the DC library at [www.mycatpension.co.uk](http://www.mycatpension.co.uk), under Videos – DC Plan.





## OneView – your one-stop-retirement shop

OneView is the secure member website provided by the Plan administrator, Mercer, where you can track your individual pension account.

As well as showing you how much has been paid into your account and where the money is invested, OneView also has lots of useful tools, not least the retirement illustrator. This handy calculator lets you see what your income in retirement might look like, and allows you to change certain variables – such as the age at which you retire and the contributions you pay in – to see what difference this makes.

The amount quoted by the retirement illustrator isn't guaranteed, but it will give you an idea of whether you're on track for the retirement you want.

You can open the retirement illustrator by clicking on the 'More' button along the top menu in OneView.



**Current Details**

DC Pension Savings: £39,000

Current Salary: £32,000

Total Contributions: 15%

DB Pension Income: £0

**At Retirement**

Target Retirement Age: 65

Tax-Free Lump Sum: 0%

Target Retirement Income: £10,000

Pre Retirement

Reset Values

Recalculate

PENSION ILLUSTRATION DATE 15/02/2022

These are the options available to you based on a projected fund value of **£195,505** at age **65**

Annuity

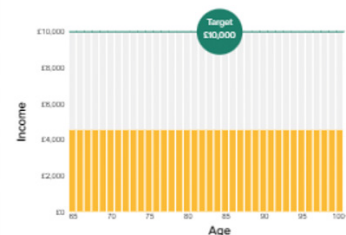
Drawdown

Cash

Annuity

Tax-Free Lump Sum of £0

Annual Income of £4,540  
Includes 40 a year from your DB pensions



Lifetime Allowance Percentage 18.21%

In addition to the benefits above, you may be entitled to a state pension of £7,155 per year from age 68. See Other Assumptions & Notes for further information.

View Assumptions

# INVESTMENT NEWS

## Investment update

COVID-19 has had a profound impact on each and every one of us, and we're all still adjusting to the new normal.

In the initial stages of the pandemic, investment markets were extremely volatile, but they have recovered strongly. Many DC plans like ours reported positive growth in 2021, with combined DC assets growing from £471 billion in 2020 to £490 billion in 2021, according to industry research.

In times of uncertainty, it is important to remember that pension saving is a long-term strategy and your investments can go up or down. The value of your pension pot will be adjusted in line with investment performance of the fund(s) in which you are invested. Investment markets are difficult to predict (i.e. when they might fall and by how much, and when they will recover and by how much), but you should consider that if your target retirement date is a long way off, your pot has more time to recover from any short-term market fluctuations. If you are worried about this, you can go to **[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)** for more information or guidance on your options.

Most of our members have their retirement savings invested in the default lifestyle strategy. This is designed to give you the opportunity to achieve the long-term investment growth needed to build your retirement savings and then gradually reduce your exposure to risk before you start to draw on them. If you are closer to the age you plan to draw your retirement savings, this may have cushioned some of the impact of market volatility.

However, if you're thinking of retiring soon and are unsure how to proceed, it's a good idea to get some professional financial advice. If you need help finding a regulated financial adviser, you can visit the MoneyHelper website (**[www.moneyhelper.org.uk/en/getting-help-and-advice](http://www.moneyhelper.org.uk/en/getting-help-and-advice)**) and click on 'Financial advisers'.





## New investment options

We wrote to you last summer to tell you about an exciting new addition to our freestyle range of investment funds. Freestyle funds are for members who are comfortable making decisions about their own investments. Members who don't want to be actively involved in day-to-day investment decisions can continue to use the default lifestyle strategy.

We added a new fund called the Legal & General Future World Global Equity Fund, for members who wish to take account of environmental, social and governance (ESG) factors when investing their retirement savings. ESG investments consider how the companies your pension account is invested in treat people and the planet. Well-run organisations, with sound environmental and social practices, have a better chance of long-term success and profitability. You can find out more about the new Fund by reading its factsheet on [www.mycatpension.co.uk](http://www.mycatpension.co.uk)

We're also delighted to announce that during Q2 2022, we will introduce a new shariah-compliant investment fund to the freestyle range. The new fund is called the HSBC Shariah Fund.

A Shariah fund is one that abides by the principles of Islamic finance. On a basic level, this means that investments in companies that trade in alcohol or pork products are prohibited, but there are also rules about investing in cash funds where interest is charged (interest is strictly prohibited under Shariah law), or investments that are considered too risky or speculative.

## Trustee DC updates

Every year the Trustee produces a Chair's Statement, which lets you know how the Plan is governed. It also includes information about the costs and charges relating to your investments in the Plan, to help you understand how they could affect the final value of your fund at retirement. A summary of the latest Chair's Statement is enclosed with this newsletter.

In 2020, the Trustee also produced its first Implementation Statement, which documents how the Trustee has complied with the Statement of Investment Principles (SIP) during the year. The SIP sets out the approach the Trustee takes to governing the investment strategy, including the approach taken to Environmental, Social and Governance factors. The Implementation Statement can be found on the pensions website, [www.mycatpension.co.uk](http://www.mycatpension.co.uk)

# THE TRUSTEE BOARD

**The Trustee Directors are responsible for managing the DC Plan so that it can continue to pay the benefits that have been promised to members.**

The Trustee Board is made up of four Company-Appointed Trustee Directors and four Member-Nominated Trustee Directors. Whatever their route onto the Board, all of the Trustee Directors have an equal responsibility to act in the best interests of the Plan's members. You can read a short biography of each member of the Trustee Board on the pensions website, in the 'About us' section.

Following the resignation of Anna Lee last year, Barbara Henry was appointed the Chair. Barbara is an HR Manager with responsibility for HR Policy and is based in Northern Ireland.

## **Company-appointed Trustee Directors**

Anna Lee (Chair) – resigned 8 September 2021  
Barbara Henry – appointed Chair 8 September 2021  
Paresh Desai  
Adam Lambert  
Daryl Steele

## **Member-nominated Trustee Directors**

Paul Athey  
Allister Dennis  
Nick Morgan  
James Nelson



## Advisers to the Trustee Directors

The Trustee Directors have appointed the following specialist advisers to help them.

<b>Administrator</b>	Mercer Limited
<b>Auditor</b>	PricewaterhouseCoopers LLP
<b>Legal adviser</b>	Slaughter and May
<b>Investment adviser</b>	Mercer Limited
<b>Secretariat services</b>	Zedra Inside Pensions Limited (formerly known as Inside Pensions Limited)
<b>Bankers</b>	HSBC plc Royal Bank of Scotland
<b>Investment manager</b>	Legal & General Investment Management



# PENSIONS NEWS

## Pension age changes

The State pension age is rising to age 67 in 2028, with a further increase planned to age 68 between 2037 and 2039. There's a 10-year gap between the State pension age and the minimum pension age, which is the earliest you can draw benefits from a workplace or personal pension plan – so when the State pension age rises, so does the minimum pension age. The government has confirmed that the planned increase to the minimum age from age 55 to age 57 will go ahead in April 2028. This may affect you if you have plans to retire early and you're in your mid to late forties. You can easily check your State pension age online at [www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age)

## Breaking up is hard to do

The Pensions Action Group has produced a useful guide to pensions on divorce to help individuals and their advisers understand the key points surrounding this often-forgotten asset. It is free to download at [www.advicenow.org.uk/guides/survival-guide-pensions-divorce](http://www.advicenow.org.uk/guides/survival-guide-pensions-divorce)



## Find your old pensions before they're given away

A new Bill to expand the Dormant Assets Scheme to include pensions, insurance and investment assets is making its way through Parliament. The Dormant Assets Scheme currently redistributes money from dormant bank and building society accounts to social and environmental initiatives across the UK, in cases where the provider has been unable to contact the owner and the assets have lain unused for 15 years. The proposed expansion serves as a useful reminder to pension savers to track down any old pensions they may have. The government has a free pension tracing service that helps people find their lost pensions. You can contact them by freephone number 0800 731 0193, or via the website: [www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)



## MoneyHelper

MoneyHelper is a new, easy way to get free, trusted help for your money and pension choices. It combines the Money Advice Service, the Pensions Advisory Service and Pension Wise, bringing everything together in one place. MoneyHelper offers free, impartial help that's quick to find, easy to use and backed by the government. It's available online or over the phone, providing clear money and pensions guidance, as well as pointers to trusted services, if you need more support. Find out more at [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

## How much are you going to need in retirement?

In last year's newsletter we told you The Pensions and Lifetime Savings Association (PLSA) had set up a website ([www.retirementlivingstandards.org.uk](http://www.retirementlivingstandards.org.uk)), to help people understand what they need to save to achieve a basic, moderate or comfortable retirement. Their research showed that only 23% of people understand how much they need to save. The PLSA recently published updated figures, to ensure they remain in line with changes in spending habits and price increases. For a single person the minimum target now is £10,900 (an increase of £700), £20,800 (moderate) and £33,600 (comfortable).

# THE PLAN IN NUMBERS

At 30 September 2021, the Caterpillar DC Pension Plan was worth £647 million – an increase of almost £132 million over the previous year.

<b>DC Plan at the start of the year</b>		<b>£515,151,000</b>
<b>IN</b>	Money in	£43,839,000
<b>OUT</b>	Money out	£28,039,000
<b>+</b>	Increase in market value of investments	£116,131,000
<b>DC Plan at the end of the year</b>		<b>£647,082,000</b>

## MONEY IN

Company contributions	£35,522,000
Member contributions	£2,380,000
Transfers in from other plans	£1,095,000
Payments from insurance companies	£1,818,000
Administration charge to the business	£3,022,000
Investment income	£2,000
<b>Subtotal</b>	<b>£43,839,000</b>

## MONEY OUT

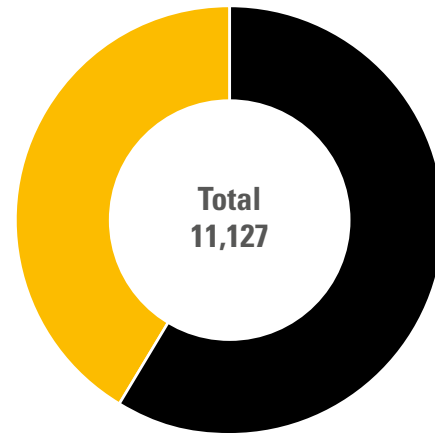
Annuities bought	£769,000
Lump sums at retirement	£649,000
Death benefits	£2,679,000
Transfers to other plans	£19,542,000
Investment management costs	£869,000
Administration expenses	£1,010,000
Payments to insurance companies	£2,521,000
<b>Subtotal</b>	<b>£28,039,000</b>



# WHO'S IN THE PLAN?



The chart shows the Plan's membership as at 30 September 2021.



● ACTIVE MEMBERS 6,552

● DEFERRED MEMBERS 4,575

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](http://www.contact.mercer.com)

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

**Call us:**

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

**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 MoneyHelper website at [www.moneyhelper.org.uk](http://www.moneyhelper.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 are 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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