

ENGINEERING YOUR FUTURE

The newsletter for members of the Caterpillar Pension Plan

2022



CATERPILLAR®

CATERPILLAR DB PLAN



WELCOME

Since writing to you in the last newsletter, Dalriada were appointed as professional trustee to the Plan. With effect from 31 March 2021 I have had the pleasure of chairing the Trustee Board and am pleased to introduce the latest newsletter for members of the Caterpillar Pension Plan.

When the Trustee last wrote to you, the UK and the world was grappling with COVID-19 and the resultant lockdown. It has been another interesting year, with the ongoing COVID-19 pandemic continuing to affect all our lives. However, I do want to reassure you that our work as the Trustee of your pension scheme has been largely unaffected.

The Trustee is, of course, closely monitoring the dreadful situation in Ukraine. Our thoughts go out to those impacted. Our duty as Trustee is to focus on the impact to the security of member benefits – looking at the implications for investments and security of member data. The immediate effect of the invasion on investments has been volatility in global financial markets. However, for many years the Plan has invested in bonds

(both government and corporate) and liability-driven investments. These investments are designed to increase and decrease as the Plan's liabilities increase or decrease – with the effect that the impact on the Plan's funding position should be protected from market changes. The Trustee will continue to monitor the situation and will take appropriate advice as necessary.

During 2022, the Trustee will be working closely with the Scheme administrator to progress several projects, including Guaranteed Minimum Pension (GMP) equalisation. As we reported previously, GMP benefits for men and women must be equalised. This means we need to recalculate some members' pensions, which is a complex process that will take time. If this affects you, we will contact you in due course.

On page 7, you can read a summary of the Plan’s financial statements for the year, as well as further information about our membership.

On a more personal note, if you are **not yet receiving your Caterpillar pension** and are considering making any changes to your own pension arrangements, you should think about taking financial advice. Financial advisers local to your home or workplace can be found at: www.moneyhelper.org.uk

We are keen to provide information that you will find useful in the coming years, so please do let us know if there is anything you would like to see covered in a future newsletter. If you have any questions or comments, please get in touch with us via the Pensions Team at ukpensions@cat.com

Adrian Kennett - Chair
Dalriada - Professional Trustee

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DB PLAN HIGHLIGHTS

(YEAR TO 30 SEPTEMBER 2021)

As at 30 September 2021, the Plan was worth **£1.9 billion**.



The Plan has **10,736 members**.



During the year, the Company paid contributions into the Plan of **£1.7 million**.



During the year, the Plan paid **£56.1 million** in pensions to members.



THE TRUSTEE BOARD

The Caterpillar DB Pension Plan is run by a corporate Trustee company called Caterpillar Pension Trust Limited, which has six directors.

Half of the directors are appointed by the Company and the other half by the members of the Plan.

Company-appointed Trustee Directors

Adrian Kennett, Dalriada Trustees – Independent – Chair
Laurence Dobney
Lisa Rodgers

Member-nominated Trustee Directors

Roger Hagan
Clive Heath
Pete Mouland

You can find out more about the individual Trustee Directors on the pensions website: www.mycatpension.co.uk





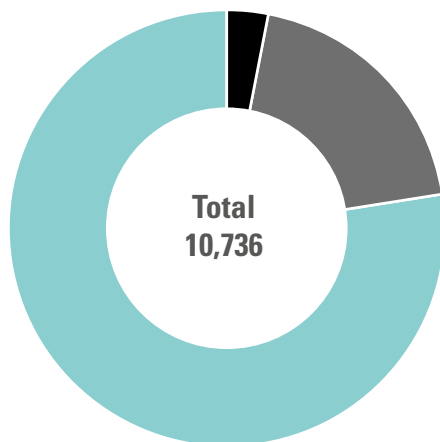
Advisers to the Trustee Directors

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

Actuary	Alistair Lyon, 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
Secretary to the Trustee	Zedra Inside Pensions Limited (formerly known as Inside Pensions Limited)

WHO'S IN THE PLAN?

As at 30 September 2021, there were 10,736 members in the DB Plan, a decrease of 561 over the previous year. The chart shows the split between the various membership groups.



● DEFERRED ACTIVE MEMBERS*
344

● DEFERRED MEMBERS
2,083

● PENSIONERS
8,309

*Deferred active members' are those who still work for the Company and retain certain rights while they remain employed.

These figures are taken from the Plan's formal annual report, which is audited by PricewaterhouseCoopers LLP to ensure it gives a true and fair reflection of the Plan's financial position.



THE DB PLAN IN NUMBERS

As at 30 September 2021, the Caterpillar Pension Plan was worth £1.9 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		£2,023,907,000
IN	Total income	£1,736,000
OUT	Total expenditure	£93,320,000
-	Decrease in the market value of investments	£83,550,000
+	Investment income	£38,358,000
DB Plan at the end of the year		£1,887,131,000

MONEY IN

Company contributions	£1,736,000
Subtotal	£1,736,000

MONEY OUT

Pensions	£56,083,000
Tax-free cash sums at retirement	£4,787,000
Death benefits	£123,000
Transfers to other schemes	£27,135,000
Administration expenses	£1,627,000
Taxation	£612,000
Investment premiums	(£51,000)
Investment management costs	£3,004,000
Subtotal	£93,320,000

FUNDING UPDATE

The Plan actuary carries out a full valuation of the Plan at least every three years. The Trustee Directors and Caterpillar use this assessment to decide how much needs to be paid into the Plan to make sure there is enough money to pay all current and future pensions in full.

The last full valuation was carried out as at 30 September 2019, but the actuary also reviews the Plan's funding level in the years between valuations. These updates provide a quick estimate of how the funding level has changed over the year.

The latest updates are shown here, along with the results of the 2019 valuation.

	Update 30 September 2021	Update 30 September 2020	Valuation 30 September 2019
Assets	£1,887m	£2,024m	£2,205m
Target level of assets to pay all pensions and benefits	£1,827m	£1,993m	£2,183m
Surplus	£60m	£31m	£22m
Funding levels	103%	102%	101%

How has the funding level changed since last year's funding update?

The annual update as at 30 September 2021 showed that the funding level had improved to 103% (on an 'ongoing' basis) since the 2019 valuation. This was, despite investment growth being negative and lower than assumed. The value placed on the liabilities also fell over the year due to changes in financial markets and the Trustee paying out over £200m to members leaving the Plan.



What if the Plan was wound up?

By law, as part of every full actuarial valuation, the Trustee Directors must also obtain an estimate of how much money an insurance company would require in order to take on the future pension payments of the Caterpillar Pension Plan.

This gives an idea of how much would be needed in the unlikely event that Caterpillar became insolvent and the Plan had to be 'wound up'.

The inclusion of this information does not imply that either the Company or the Trustee are thinking of winding up the Plan.

The Plan's actuary has estimated that, as at 30 September 2019, on a wind-up basis there was a shortfall of £265.7m. This is mainly because the law requires insurance companies to invest in very low-risk assets so that they can guarantee to pay pensions in full.

Payments to Caterpillar

There have been no payments from the Plan to Caterpillar over the 12 months to 30 September 2021, and the Pensions Regulator has not had to use its powers in connection with the Plan.

PENSIONS NEWS

New powers to protect pension schemes

The Pension Schemes Act 2021 has made it a criminal offence to engage in activities which have a 'material detrimental impact' on a pension scheme and its benefits. This is punishable by an unlimited fine and up to seven years in jail. It gives the Pensions Regulator more powers to act against, for example, pension scheme trustees who behave dishonestly in managing a scheme, or even sponsoring employers who try to avoid paying their required contributions into a scheme by diverting money into dividend payments.

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

Breaking up is hard to do

One of the consequences of 18 months of lockdown has been a rise in the number of couples applying for divorce. 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 available online at 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



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

How much are you going to need in retirement?

The Pensions and Lifetime Savings Association (PLSA) set up a website two years ago at 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).

CONTACT US

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

Call us:
01733 584777

Email us:
ukpensions@cat.com

Website:
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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