

ENGINEERING YOUR FUTURE

The newsletter for members of the Caterpillar Pension Plan

2023



CATERPILLAR®

CATERPILLAR DB PLAN



WELCOME

As the current chair of the Trustee Board, I am very pleased to introduce to you the latest newsletter for members of the Caterpillar Pension Plan.

Since the Trustee last wrote to you, much has changed. The war in Ukraine has undoubtedly had an impact on the economy, not to mention the continuing cost-of-living crisis. 2022 also saw the introduction of the government's mini-budget, which caused substantial market volatility as gilt yields spiked.

Much of the Trustee's focus over the last 12 months has been ensuring the funding position of the Plan is protected against volatile global economic markets. The outcome of this is that the funding position has remained stable over the period.

We explain more about the impact of the mini-budget on the Plan's investments – and its funding position – on page 9.

The Plan actuary is currently working on the Plan's latest formal valuation as at 30 September 2022, which is performed every

three years. This newsletter includes a brief overview of the Plan's most recent funding levels from 2019 to 2021, and we hope to bring you the results of the 2022 valuation in our next newsletter.

Please remember that your benefits in the Plan remain unchanged, as they are not linked to movements in the financial markets but are defined by the Trust Deed and Rules.

As we reported previously, Guaranteed Minimum Pensions (GMP) must be equal for men and women, and the Trustee is still working closely with the Pensions Team and our advisers to progress this project. This means we may 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.

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The rest of this newsletter provides the latest membership numbers on page 6, as well as the usual summary of payments into and out of the Plan on page 7. Our pensions news section provides a round-up of issues that may affect your retirement plans, and the Plan noticeboard is on hand to provide you with any updates regarding investments and Plan changes.

“Please remember that your benefits in the Plan remain unchanged, as they are not linked to movements in the financial markets...”

I hope you find this newsletter interesting and useful. If you have any questions or would like further information, please contact the Pensions Team. Their details are on the back page.

Adrian Kennett – Chair

Dalriada – Professional Trustee

DB PLAN HIGHLIGHTS

(YEAR TO 30 SEPTEMBER 2022)

As at 30 September 2022, the Plan held assets of **£1.3 billion**.



The Plan has **10,245 members**.



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



During the year, the Plan paid **£57 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 Moulard

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) Royal London Asset Management
Custodian	Northern Trust Company
Legal adviser	Slaughter & May
Secretary to the Trustee	Zedra Inside Pensions Limited



WHO'S IN THE PLAN?

As at 30 September 2022, there were 10,245 members in the DB Plan, a decrease of 491 over the previous year. The chart shows the split between the various membership groups.



DEFERRED ACTIVE MEMBERS*
313



DEFERRED MEMBERS
1,865



PENSIONERS
8,067

TOTAL

10,245

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



THE DB PLAN IN NUMBERS

As at 30 September 2022, the Caterpillar Pension Plan held assets of £1.3 billion. Here is a summary of the money paid into and out of the Plan during the year.

The Trustee's investment strategy is to hold assets which seek to mirror movements in the liabilities of the Plan, thereby maintaining a stable funding position. Over the course of the year, the Plan's liabilities fell with a corresponding fall in our asset values. The funding position of the Plan remained broadly stable.



DB Plan at the start of the year **£1,887,131,000**

MONEY IN

Company contributions £1,735,000

Subtotal **£1,735,000**

MONEY OUT

Pensions £57,039,000

Tax-free cash sums at retirement £5,145,000

Death benefits £128,000

Transfers to other schemes £15,686,000

Administration expenses £1,980,000

Taxation -

Investment premiums £7,000

Investment management costs £3,096,000

Subtotal **£83,081,000**

Decrease in market value of investment £508,222,000

Investment income £36,348,000

DB Plan at the end of the year **£1,333,911,000**



PLAN NOTICEBOARD

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, and the Plan actuary is currently working on the latest valuation as at 30 September 2022. The table below gives the results of the 2019 valuation and subsequent annual updates, which all showed the Plan to have a surplus. The 2022 valuation will show whether the Plan still has a surplus, or if it has been turned into a shortfall.

	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%

The mini-budget

In September 2022, the then-Chancellor Kwasi Kwarteng announced a mini-budget that led to significant turbulence in investment markets. Not only did the value of the pound fall, but borrowing – including Government borrowing in the form of gilts – also became more expensive. This had an impact on pension funds around the UK.

As a result, the Bank of England stepped in at the beginning of October 2022 and promised to buy £65bn of gilts, which the media reported as being necessary to ‘save pension funds from going bust’. Let us reassure you that pensions will continue to be paid as normal. The Plan has not run out of money and it was not at risk of running out of money at any time during the recent crisis.

As this is a complex area of investing, the media reporting tended to be one-sided, not considering how increases in gilt yields actually reduce the liabilities of pension schemes. The Trustee continues to monitor the situation closely.

Change of the Plan’s administrator

The administration of the Caterpillar Pension Plan is currently carried out by the in-house Caterpillar Pensions Team on behalf of the Trustee.

Following a review, the Trustee has decided to appoint Premier Pensions Management Ltd (Premier) to take over the administration of the Plan with effect from 1 April 2023. Premier is part of the Isio Group.

As this is an administrative change only, you do not need to do anything, and the Trustee will retain responsibility for the Plan.

Work has taken place to ensure all membership records are transferred safely and securely to Premier and they will provide you with your new member reference number, which you should keep safe for your records.

Contact details for any administration matters or queries from 1 April 2023 can be found in the contact us section on the back page.

PENSIONS NEWS

New rules for transfers

If you're considering transferring your pension to another scheme, it's important you think carefully about the impact this decision may have. New transfer regulations are now in place designed to help protect members from pension scams, so you may find that the transfer process takes longer as more checks are now required.

You already must prove you've taken independent financial advice if your transfer value is over £30,000, but the additional checks aim to provide an extra level of security.

Transfers are now assessed using green, amber and red flags:

- **Green** – the transfer can go ahead
- **Amber** – you will need to get guidance from MoneyHelper (the government's new pension information service) before the transfer can take place
- **Red** – unfortunately the transfer will not go ahead but the Pensions Team will contact you to explain the reason for this.

Stronger nudge rules

The government has finalised rules for a stronger nudge to guidance, and these came into force from 1 June 2022. In general, this means that if anyone wants to either transfer or receive their Additional Voluntary Contribution (AVC) benefits in the Plan, the Pensions Team will first need to signpost them to a Pension Wise guidance session so they can get impartial advice. AVC members won't be able to proceed with their application until the guidance has been taken or the member has opted out of the session.

Be wary of transfer scams

It's an unfortunate fact that anybody can become a victim of a pension scam. The amount people lose has no limit and some victims have lost as much as £500,000, significantly impacting their financial stability. Luckily, there are a few common warning signs you can look out for to ensure the future you deserve is protected.

- **Cold calls** – unexpected pension offers whether made online, on social media or over the phone are nearly always scams. These types of calls have now been banned, so if you do get one, hang up, do not reply to emails or texts, and do not follow links.
- **Unregulated advisers** – make sure you know who you are dealing with before changing your pension arrangements. Check the ScamSmart website www.fca.org.uk/scamsmart or call **0800 111 6768** to see if the firm you are dealing with is authorised by the Financial Conduct Authority (FCA) to give advice on pension transfers.
- **Limited time offers** – you should never be rushed or feel pressured into making any decision about your pension.

Don't let a scammer enjoy your retirement – remain vigilant and protect your future.

Pensions dashboard faces delays

Despite hopes that the pensions dashboard would be launched this year, the government has confirmed that the timetable has been pushed back. This is to give the industry more time to resolve issues with the complex digital architecture at the heart of the project, while the government will also develop more guidance for pension providers.

The dashboard aims to provide a single point of reference for members to view information about their pension savings, as well

as potentially offer a means of reuniting people with their lost pension pots. On average, a lost pension pot is worth £9,470, which could make a difference to your retirement income.

The dashboard will also help members understand their estimated retirement income for all of their pensions, including information about the state pension, which will support better planning and improve financial wellbeing.

In the meantime, if you think you may have lost a pension pot over the years, the Pension Tracing Service is a free government service that searches a database of more than 200,000 workplace and personal pension schemes to try and find the information you need. You can phone the service directly on **0800 731 0193**, or search pension tracing on the **GOV.uk** website.

State pension age rising to 67

The state pension age is set to rise from 66 to 67 by 2028, with a further rise to 68 planned by 2039. However, it has been suggested by the media that the increase to 68 could be brought forward to as early as 2033.

This may have a knock-on effect on the normal minimum pension age (NMPA), which tracks the state pension age at 10 years younger. The NMPA is also due to increase to 57 from 2028.

CONTACT US

If you have any questions about the Plan or your benefits, please get in touch with Premier (part of the Isio Group):



Phone:

0800 122 3200 or +44 208 663 5850 if calling from overseas



Email:

Caterpillar@premiercompanies.co.uk



Post:

Premier, PO Box 108, Blyth NE24 9DY

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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