

CATERPILLAR DC PLAN

ENGINEERING YOUR FUTURE 2023

**The newsletter for members of the
Caterpillar Defined Contribution
Pension Plan**

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CATERPILLAR[®]



WELCOME

As the current Chair of the Caterpillar Defined Contribution (DC) Pension Plan, it gives me great pleasure to introduce your 2023 newsletter.

It's no secret that the past year has been a challenge, especially with the rising cost of living adding pressure to household incomes.

This, along with market volatility, has brought pension saving into the spotlight, so it's understandable that you may have some concerns about your savings.

It's important not to make snap decisions based on recent events. Investments are, by their nature, unpredictable and it can often seem worrying at the outset when values fall. Highs and lows in the investment market, however, are


completely normal, and we hope that our article featured on page 6 will help ease any concerns you may have.

We've recently introduced our new Shariah-compliant equity fund, giving our members more freedom of choice to make investments that fit with their personal

**“Highs and lows
in the investment
market are
completely normal”**

preferences and ideals. Shariah-compliant funds are often considered to be more socially conscious, and you don't need to be Muslim to invest. You can read more about this fund on page 8.

There have also been some changes to our Trustee Board and we'd like to welcome our new member-nominated Trustee, James Nelson. James joined Caterpillar in 2017 and is a Packaging Engineer at the Desford facility. He was elected to the board in March 2022, and you can find out a little more about him via our pensions website under 'About us'.



Remember, you can access the pensions website at any time via www.mycatpension.co.uk

It features lots of useful information about your pension, investments and retirement savings, as well as a short series of educational videos that we released last year.

I hope that the information in this newsletter is useful and helps give better insight into how the Plan functions. If you have any questions or would like further information, please contact Mercer (contact details can be found on the back page).

Barbara Henry
Chair of Trustee

PLAN NOTICEBOARD

What are you saving for?

What's the most expensive thing you've bought without trying it first or at least doing some research? A pair of shoes or a pair of jeans perhaps, or maybe a tech item like an iPad or a laptop? What about a car? Would you even consider buying a house without looking at it first?

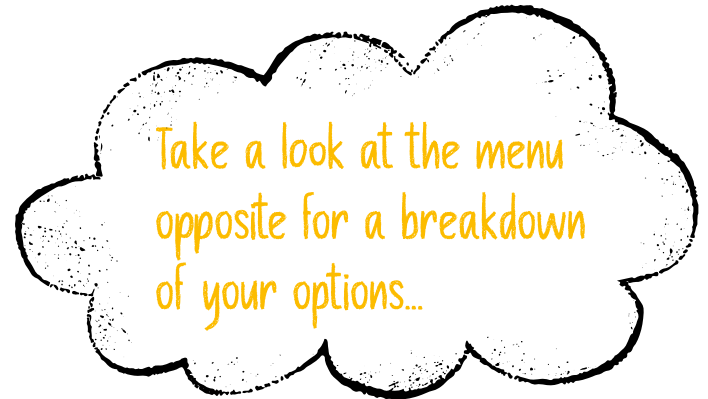


You obviously wouldn't arrange a mortgage without first going house-hunting, and it's unlikely that you'd buy a car without going for a test drive. Most of us can admit we've bought clothes online without trying them first, but sooner or later we need to try them on and see if they fit. In many ways, the same thing can be said of your pension.

Decisions, decisions!

In a world full of choices, where even buying a cup of coffee can require several decisions – latte or americano, decaf or regular – why are so many of us in the dark about something that has such a large impact on our later lives: our pension?

A bit like joining a gym, the results aren't immediate and it's hard to get excited about something that's such a long way into the future. While your Plan savings are quietly building up over the years, it's good to know what you'll be able to do with them when the time comes.



Welcome to the pensions café!

Today's special

Take 25% of your savings as a tax-free lump sum

Regular options

Drawdown – keep your savings invested but withdraw money when you want to

Annuity – buy a pension for life

Cash – take your savings as a taxable lump sum

Hint: you can read more about these options on page 7!

Customize your choice

Benefits combo – you can have a mix of the regular options

Retire early – any time from age 55*

Retire later – carry on working and saving a bit longer

Whatever your preferences, there's a pension for you!

**rising to age 57 from April 2028*

Review your wishes

In the event of your death, having an up-to-date beneficiary nomination (sometimes known as an expression of wish) can help us quickly and efficiently identify who you would like to receive any benefits that are payable. Your beneficiary nomination is designed to reflect your current circumstances, so it's particularly important that you review it if you get married or divorced, enter or leave a civil partnership, or have a child.



Making changes to your nomination is simple, and you can do this any time directly on OneView, or by downloading the form from the Materials & Downloads area of OneView.

PLAN NOTICEBOARD CONTINUED

Market volatility and your pension

As you may have seen, the ups and downs in the financial markets can have an impact on the value of your pension savings at any given time.

As the world's economies work to recover from the pandemic, rising inflation and concerns over energy prices, along with rising interest rates and trouble in the gilts markets, factor into increased investment volatility.

Over the course of your Plan membership, which could be many years, your savings will experience both market highs as well as lows. We know the lows can be alarming, but before making a hasty decision in response to current market conditions, remember that saving for retirement is a long-term investment.

If you're approaching retirement, we understand that any reduction in your pension savings will be concerning. A key priority for those members is to understand when and how you intend to take your pension savings to ensure your investment strategy remains suitable.



If you'd like to review your options, you can log into OneView at any time and adjust things such as how your savings are invested and your target retirement date.



INVESTMENT NEWS

New and improved – investments your way

We want to ensure our members have the maximum amount of control when it comes to where their savings are being invested. Of course, everyone is different, and some of our members may feel more comfortable getting involved than others.

That's why the Caterpillar DC Pension Plan has three different investment approaches, ensuring that there is an option for every member of our scheme.

Most members of the Caterpillar DC Pension Plan have their retirement savings invested in the default lifestyle strategy, however there are three different approaches you can take to investing.

You can find out more about your investment options by reading our Caterpillar DC Pension Plan Investment Guide on our website, www.mycatpension.co.uk

Your investment options:

- **Leave me to it** gives you the ultimate control, with the option to invest in a wide variety of funds that the Plan makes available, including the 'core' and 'freestyle' funds, each offering different levels of potential risk and reward.
- **Help me to do it** lets you choose from the Plan's 'core' funds, which are a limited number of straightforward options (including three lifestyle options). They aim to grow your pension savings over a longer period of time, with investments adjusting the closer you get to retirement. The lifestyle options available to you through this approach are as follows:
 - **Annuity** is designed for members who want to take 25% of their savings as a tax-free cash sum, and then use the rest to buy an annuity.
 - **Flexible drawdown** is the perfect option for those who want to take their 25% tax-free cash sum, then leave the remaining amount invested. This approach often means you have more flexibility when it comes to withdrawals.
 - **Cash** is for people who wish to take their pension pot as a single or series of irregular cash lump sums.
- **Do it for me** is the ultimate hands-off approach and invests your pension account in the default Lifestyle option – Flexible Drawdown. If you do not make an active investment decision, this is where your savings will be invested.

INVESTMENT NEWS CONTINUED

New Shariah-compliant investment fund

We believe it's important to carry out regular reviews of our investment options to ensure that what we offer our members is diverse and inclusive. With this in mind, we recently introduced a new Shariah-compliant investment fund: the Islamic Global Equity Index Fund – not just for the Muslim community, but for everyone who is interested in more ethical investing.

What is a Shariah-compliant fund?

A Shariah-compliant fund aims to achieve returns based on investments that are only made in companies that comply with Islamic finance principles. Shariah funds might include companies that meet certain halal standards or operate within sectors such as pharmaceuticals or technology. All investments are approved by an independent Shariah committee, who work closely with money managers to ensure all investments are compliant in this way.

What are the benefits of a Shariah-compliant fund?

Shariah-compliant investing is often considered to be ethical and socially responsible, as it excludes companies that deal with things such as alcohol, gambling, weapons or tobacco. Instead, the fund proactively seeks to invest in companies that work with Islamic values, and these types of companies might include supermarkets, software companies or technology.

The fund is socially responsible as it aims to promote ethical values-driven investments, whilst also pursuing 'Maqasid Shariah', an Islamic concept that aims to promote the welfare of humankind and eliminate harm.

How do I invest in the new fund?

The fund is available to all our members, regardless of faith, and you can select it by amending your investment choices. To do this, access Mercer OneView via www.mycatpension.co.uk

A Shariah-compliant fund has many appealing factors, however it's important to recognise that this new option is first and foremost an equity fund. Therefore, if you're considering it as an investment, you must be comfortable with the potential volatility that can accompany investing in the stock market.

Defensive Fund changes name

Last year, we changed the name of one of the Plan's investment funds – the Defensive Fund is now known as the 'Annuity Aware Fund'.

The rationale for the name change is to more accurately reflect what the Defensive Fund is designed to do, which is to be suitable for someone intending to purchase an annuity at retirement.

The Defensive Fund is one of the Plan's 'core funds' under the 'Help me to do it' investment options. Therefore, you may currently be invested in the Defensive Fund if you previously selected it. You will also be invested in this fund if you selected the 'Help me to do it' Lifestyle option and are within seven years of your target retirement age.



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. Our board members have a broad range of backgrounds and experiences, but their uniting purpose is to always act in the best interests of the Plan's members. If you'd like to read more about any one of our Trustee Directors, you can find a short biography about each of them on the pensions website, under the 'About us' section.

Company-appointed Trustee Directors

Barbara Henry (Chair)
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.

Administrator	Mercer Limited
Auditor	PricewaterhouseCooper LLP
Legal adviser	Slaughter and May
Investment adviser	Mercer Limited
Secretariat services	Zedra Inside Pensions Limited
Bankers	HSBC plc Royal Bank of Scotland
Investment manager	Legal & General Investment Management



PENSIONS NEWS

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.

New rules for transfers

If you're considering transferring your DC Plan savings 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.

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



Green – it can go ahead.



Amber – you will need to get guidance from MoneyHelper (the government's pension information service) before the transfer can take place.



Red – unfortunately the transfer will not go ahead but Mercer will contact you to explain the reason for this.

How much money will you need in retirement?

We've previously reported on the retirement living standards, the guide to retirement income published by the Pensions and Lifetime Savings Association (PLSA) which shows the annual amounts needed to achieve different standards of living.

The PLSA has now released updated figures. These are today's amounts, but to have the same spending power when you retire, you'll need to allow extra for future inflation.



For a single person

£12,800	minimum covers all your needs with some left over for fun	£19,900
£23,300	moderate more financial security and flexibility	£34,000
£37,300	comfortable more financial freedom and some luxuries	£54,500

For a more bespoke picture, you can find out what your retirement living standards are likely to be by visiting OneView's retirement illustrator via www.mycatpension.co.uk

For more information on retirement living standards, you can visit: www.retirementlivingstandards.org.uk



For a couple

Do you know how much the State pension is?

Research carried out by LV has indicated that around 77% of working adults do not know how much the full State pension is. The survey also quizzed individuals on their future retirement and revealed that 58% of respondents didn't fully understand how to ensure their pension lasts the rest of their life.

The State pension, a regular payment from the government that most people can claim in later life, is increasing from April. The new weekly amount will be rising to £203.85 a week for anyone born on or after 6 April 1951 (who is eligible for the full State pension).

If you're unsure about your money or pension choices, you can access free, impartial help through MoneyHelper. You can access the service any time through their website, www.moneyhelper.org.uk

THE PLAN IN NUMBERS

This page provides a summary of the DC Plan's financial transactions over the year to 30 September 2022, including money paid out to members as benefits and changes in the value of the investments.

DC Plan at the start of the year		£647,082,000	
MONEY IN		MONEY OUT	
Company contributions	£43,218,000	Annuities bought	£1,091,000
Member contributions	£8,061,000	Lump sums at retirement	£533,000
Transfers in from other plans	£1,614,000	Death benefits	£3,872,000
Payments from insurance companies	£2,886,000	Transfers to other plans	£31,125,000
Administration charge to the business	£3,295,000	Investment management costs	£870,000
Investment income	£10,000	Administration expenses	£992,000
Subtotal	£59,084,000	Payments to insurance companies	£2,303,000
		Subtotal	£40,786,000
		Decrease in market value of investment	£69,061,000
		DC Plan at the end of the year	£596,319,000

WHO'S IN THE PLAN?

The chart shows the Plan's membership as at 30 September 2022.



ACTIVE MEMBERS

6,919



DEFERRED MEMBERS

4,940

TOTAL

11,859



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 an online contact portal available, at 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
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP

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 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 representations 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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