



**This letter is important:** it concerns the method by which your pension contributions are administered.

## **The Caterpillar Defined Contribution Pension Plan - LifeSight**

### **Pension Contributions via Salary Sacrifice**

On enrolment into the Caterpillar Defined Contribution Pension Plan your contributions will be made by Non-Salary Sacrifice. After 3 months, we will automatically change your contribution method to Pension Salary Sacrifice (PSS), if eligible, to save you money on National Insurance contributions. This letter confirms details of these changes.

#### **What is Pension Salary Sacrifice (PSS)?**

Salary Sacrifice is where you choose to reduce your monthly pay by an amount equivalent to your chosen regular contribution to the Pension Plan. In return, the Company will pay an additional amount into your pension fund (on top of the regular employer contributions) which is equivalent to the reduction in pay. This reduction is known as 'salary sacrifice'. This will reduce the amount of National Insurance (NI) both you and the company pay, which will therefore increase your net take home pay. The total level of contribution to the plan will remain the same as if you were paying the contribution yourself.

This change will be an amendment to the Term's & Conditions of your contract of employment to reflect the salary sacrifice reduction in your earnings.

#### **What does Salary sacrifice mean for your benefits?**

When you participate in salary sacrifice, you are agreeing to lower your actual salary, to reduce your National Insurance contributions. However, other Caterpillar benefits that are based on your salary, such as the lump sum payable on death in service, will be calculated based on your higher, pre-sacrifice salary (other than for the Share Plan, which is based on your post Salary Sacrifice earnings). Any payments based on your hourly or annual rate, such as shift pay, overtime, Short Term Incentive Plan or local bonuses will also be based on your pre-sacrifice pay.

Salary sacrifice is a good option for most employees, but it may not be right for every member. You need to think carefully whether you want to contribute to the Plan via salary sacrifice if you are receiving, or expect to be receiving, State benefits linked to your actual salary, such as Statutory Maternity Pay. Additionally, you are not allowed to reduce your salary to below the National Minimum Wage. Therefore, if participating in salary sacrifice would reduce your taxable earnings to broadly less than the Lower Earnings Limit (based on a full-time salary), your contributions will not be made via salary sacrifice. You should note that if you choose not to Opt-In to salary sacrifice, you will not benefit from the possible savings in National Insurance contributions. Your contributions will still continue to benefit from tax relief whether or not you pay via salary sacrifice.

If your earnings do not meet the requirements to move to Salary Sacrifice after 3 months but do so in the future, you will be automatically moved to the Salary Sacrifice arrangement at that point.

### **What should I do next?**

Once you have been moved to the Salary Sacrifice plan, you will get a notification in your workday profile.

If you would like to pay your pension contributions via Salary Sacrifice, you do not need to take any action. The change will be made automatically.

If you do not wish to pay your pension contributions via Salary Sacrifice, you can opt back into Non-Salary Sacrifice using Workday Self Service. You may opt out in the future, but not more than once in a 12-month period unless you experience a lifestyle change, such as marriage, divorce, or other financial change.

*This communication is provided for information only and does not constitute financial advice. If you need advice, you should contact a regulated financial adviser. Contact details for advisers in your area can be viewed at <https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser>. You should confirm the adviser's charges and areas of expertise prior to appointing them.*