

STIP and SIP Investment in Pensions

FAQs: The Caterpillar Defined Contribution Plan - LifeSight

Q1 What is the difference between Sacrifice and Non-Sacrifice?

A The table below is designed to show the differences:

	STIP Sacrifice	STIP Non-Sacrifice
Election Deadline	31 December	28/29 February
National Insurance Saving	20% taxpayer – 8% saving 40% taxpayer – 2% saving	No NI saving
Tax Relief	Full tax relief	Full Tax Relief
Election Options	£ or % to help control Annual Allowance	£
STIP amount known?	No - Need to make election before STIP/IPF known	STIP/IPF may or may not be known by election date
STIP Factor	Not known	May be known
Tapered Annual Allowance	The sacrificed amount cannot be used to reduce your adjusted income if impacted by the Tapered Annual Allowance.	The amount can be used to reduce your adjusted income if impacted by the Tapered Annual Allowance.

Q2 How much of my STIP/SIP can I invest in my pension?

A You can invest the remaining amount after your standard DC contribution percentage has been deducted.

For Sacrifice you can choose either Option 1 **OR** Option 2 (not both). For Non-Sacrifice you can only choose option 2 (i.e., there is no percentage option available)

1) I want to contribute ** % of my bonus

OR

2) I want to contribute £** of my bonus.

You must take into account the amount of STIP/SIP that will be deducted as part of your regular contributions before calculating how much to invest. For instance, if your regular contributions are 5% of pensionable pay, and you wish to pay all your STIP/SIP in, you should enter 95%. Please note that if you wish to change your **regular contribution** after you have submitted your STIP/SIP sacrifice/non-sacrifice request, please ensure that the total combined **does not** exceed the 100% limit. For instance, if you have elected to pay 95% of your STIP/SIP you are unable to change your regular contributions any higher than 5% until STIP/SIP has been paid.

If you are leaving the business before the STIP payment is made, please refer to question 15.

Q3 Do I pay income tax and National insurance on the amount of STIP/SIP that I pay into my pension?

A Any amount of STIP/SIP paid into your pension plan is free of income tax, subject to HMRC Annual Allowance tax limits. If you do not invest 100%, you will however be liable for income tax on the balance which you choose to take as pay.

If you opt to invest via sacrifice, you will not pay any National Insurance on the amount you invest. If you do not invest 100%, you will however be liable for National Insurance on the balance which you choose to take as pay.

If you opt to invest using non-sacrifice, National Insurance at your marginal rate (i.e. your top level) will be due on your STIP/SIP. You should note, however, that all or part of your STIP/SIP payment may only be subject to NI at the 2% rate applicable to higher rate taxpayers, as your total earnings in the week/month in which you receive your payment may be above the higher rate limit for that period because of the value of the payment.

Q4 Will there be any tax implications if I invest my STIP/SIP into my pension?

A Members must consider very carefully the amount of their Annual Allowance which they will already have used in the current tax year through regular pension contributions.

The Annual Allowance used is the total of all contributions (employee and employer) that have been paid into all DC pension plans during the tax year plus a multiple of the value by which your DB pension accrual has increased during the year if you were a member of the DB Plan.

You may use any unused allowance from the previous 3 tax years. Your used DC Annual Allowance for previous tax years can be found by viewing your pension website using www.mycatpension.co.uk. Note – the current tax year will only include contributions up to the current date not the end of the tax year, so you will need to allow for contributions up to 5 April).

This value does not consider any contributions you may have made to any private pension arrangements or Free-Standing AVCs, and these would need to be considered. The amount that you can carry forward will also depend on whether you are affected by either the Tapered Annual Allowance or the Money Purchase Annual Allowance.

Further information regarding the allowances mentioned about can be found here: www.moneyhelper.org.uk.

If you choose to invest your STIP/SIP either through sacrifice or non-sacrifice, and the resulting total of all contributions is more than your total remaining Annual Allowance, the excess will be subject to taxation at up to 50%.

You are responsible for reporting your pension contributions to HMRC and settling any tax liability which may result.

Members should therefore take great care when opting to invest their STIP/SIP. You cannot change your request after it has been submitted in the My Caterpillar Flexible benefits portal. If your STIP/SIP payment is higher than you calculated, you could face a tax bill which you may not have anticipated.

Q5 I may not know the STIP factor and/or my Individual Performance Factor (IPF) until after the deadline, what if I want to change the amount of STIP/SIP into pension?

A Sacrifice – The rules of STIP/SIP Sacrifice as laid down by HMRC are that you must give up the right to your STIP/SIP before you are entitled to receive it. You become entitled to receive STIP/SIP on 1st Jan each year under the rules of the schemes, and therefore you must make your sacrifice before that date.

Non-Sacrifice - Due to the timeframes to process and meet the payroll deadline, we are unable to accept requests after the end of February each year.

Once you have submitted your request in My Caterpillar Flexible Benefits portal it cannot be amended,

Q6 When do I have to complete the request by?

A The date will depend on the option you choose:

- For sacrifice, the request must be completed on the My Caterpillar Flexible Benefits platform **by 31st December each year for STIP payable in March the following year.**
- For non-sacrifice, the request must be completed on the My Caterpillar Flexible Benefits platform **before the end of February for STIP payable in March.**

Important - You will receive a confirmation email from the Flexible Benefits system to confirm that you have completed your request. If you don't receive a confirmation email, your request has not been completed and the election will not be processed.

If you are leaving the company before the flexible benefits window is open and wish to invest your STIP into pension, please request a form from ukpensions@cat.com

Q7 Can the deadlines for completing the request be extended?

A No.

Q8 I want to use the Sacrifice method but have Annual Allowance considerations and won't know my STIP amount by the deadline, what can I do?

A If you are close to or considering your annual allowance but want to use the sacrifice method you can choose to enter a £ amount rather than a %. This will help you to manage your Annual Allowance as the amount invested in your pension will not change if you get a higher STIP/SIP than anticipated. If your STIP is less than the amount elected the remaining value will be taken from your salary. Please note that as your STIP forms part of your pensionable pay, the amount invested from your normal contribution will be variable. Please take this into account if you are close to or considering the annual allowance.

Q9 Can I pay in more than the value of my STIP/SIP to my pension?

A If you choose a percentage option you can only put in up to 100% of your STIP, less the value of your regular contributions.

If you choose to put in a £ amount you can contribute more than the value of your STIP/SIP if there is sufficient money in your overall pay slip to cover any tax, NI and other deductions which come from your regular pay.

Q10 Where can I get the form I need to complete to invest my STIP/SIP payment into my pension?

A The process is no longer completed via form. The STIP into pension process can be completed via the My Caterpillar Flexible Benefits platform.

Please see relevant communications on how to access this platform.

Q11 Can I change my mind after I have submitted my request?

A No.

- For sacrifice – HMRC rules state that you cannot change your mind after you have opted to sacrifice your STIP/SIP. Therefore, once the request has been put through, you cannot withdraw or change it under any circumstances.
- For non-sacrifice – Once a request has been put through in the My Caterpillar Flexible benefits portal it cannot be changed. Requests must be submitted by the end of February in order to process them and pass to Payroll before the cut-off date.

Q12 What happens if I wish to sacrifice, but my request is not received in time?

A We will not be able to process your request if it falls outside of the election window.

Q13 Will STIP/SIP show on my Pay slip if I have chosen to invest it into my pension?

A Whichever option you have taken, your STIP/SIP will appear as a deduction on your Pay slip

Q14 Where will my money be invested?

A The money will be invested in line with your regular DC contributions. www.mycatpension.co.uk can be used to access your pension account via Single Sign On.

Your pension account allows DC members to view and change their investment choices, and to view any contributions that have been made (amongst other functionality).

Your STIP/SIP payments are likely to appear on your pension account in April. Until the payments are invested, your account cannot be closed, and any retirements or transfers will not be actioned until after this date.

Q15 What happens if I leave the Company before payment of my STIP/SIP in March?

A If you leave Caterpillar before payment of your STIP/SIP in March you may still contribute your STIP/SIP using either sacrifice or non-Sacrifice. As long as the window for making the election is open in My Caterpillar Flexible Benefits and you are still working for the company, you can submit a request. You will not be able to submit a request once you have left the company.

If you are due to leave Caterpillar before the election window is open, you can still submit a request by completing a form. Please contact ukpensions@cat.com. Your form should be received by your last day of employment.

You should note that as you will no longer work for the Company at the time STIP is paid, you will not be paying your regular contribution and as such the Company will not pay a matched contribution.

You can, however, still save tax (non-sacrifice) or tax and NI (sacrifice) if you put your STIP into pension. When putting your nomination into the flexible benefits portal, you **DO NOT** need to deduct your regular contribution as this is not applicable once you have left the Company.

If you are intending to take a transfer or retire from LifeSight, this cannot be processed until the STIP payment has been invested into your pension. You must notify LifeSight that you have a pending STIP payment to your pension if you initiate a retirement or transfer request. If you do not notify LifeSight your STIP may not be invested into your pension.

Q17 Who can I call to help me make sure I choose the right option?

A You can contact ukpensions@cat.com who can ensure that you understand the differences between Salary Sacrifice and Non-Sacrifice. *We would ask that you read the FAQs first.*

They cannot offer any advice as to whether investing your STIP into your pension plan is the right option for you.

If you are in doubt you should speak to your Financial Advisor. If you need to find an Independent Financial Advisor, you can go to www.moneyhelper.org.uk

Q18 How can I update my pension contribution?

A You can update your pension contribution via the benefits app in Workday. Please see the process guide here:

https://www.mycatpension.co.uk/Uploads/Documents/00/00/01/43/DocumentDocument_FILE/How-to-change-your-Pension-Benefits-in-Workday.pdf

Q19 How do I log into my pension account?

A You can access your pension account via your pension website www.mycatpension.co.uk.

You can sign on easily using your CWS ID. If you don't have a CWS ID, you can set up your own password directly with your pension administrator to login.

To set up your own password you will need to contact your pension administrator directly. Their contact details can be found at www.mycatpension.co.uk/contact-us/