

# ENGINEERING YOUR FUTURE 2024

CATERPILLAR DB PLAN

The newsletter for members of  
the Caterpillar Pension Plan

**CATERPILLAR**<sup>®</sup>





# WELCOME

**I'm pleased to introduce another newsletter from the Trustee of the Caterpillar Pension Plan.**

We want to keep you up to date with what we've been doing, how the Plan is funded, and important pension news that might affect you.

In April last year, the administration of the Plan was transferred from the in-house Caterpillar Pensions Team to Premier Pensions (now known as Isio). The transfer was completed successfully and you should all have received login details for Isio's member self-service portal, My Pension Tracker.

In November 2023, we increased the security of the Plan through the purchase of an insurance policy with Aviva. The policy is a promise from the insurer to meet a proportion of the Plan's future pensioner payroll, at a cost of just over £500m. We've included more information about what it means for the Plan on page 10.

This newsletter also provides an update on the Plan's funding position. Page 8 provides the results of the 2022 valuation, which showed that our estimated funding level had improved to 111%.

This means that, under current financial conditions, the assets of the Plan more than cover its pension promises. Even on the solvency basis, which is an estimate of how much the Plan would need to pay an insurance company to provide all our members' pensions, we have a surplus. This is the first time since we started recording funding levels in this way that we have achieved a surplus on this basis.

I would like to take this opportunity to thank all our advisers and the in-house Caterpillar Pensions Team for their hard work, considerable guidance and assistance to the Trustee Board over the past year.

If you need to get in touch with us, you'll find the details you need on the back page. Also, on the back page, you can see some details of other useful contacts.

**Adrian Kennett – Chair**

**Dalriada – Independent Trustee**

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# DB PLAN HIGHLIGHTS

(YEAR TO 30 SEPTEMBER 2023)



As at 30 September 2023, the Plan held assets of **£1.2 billion**.



The Plan has **9,676 members**.



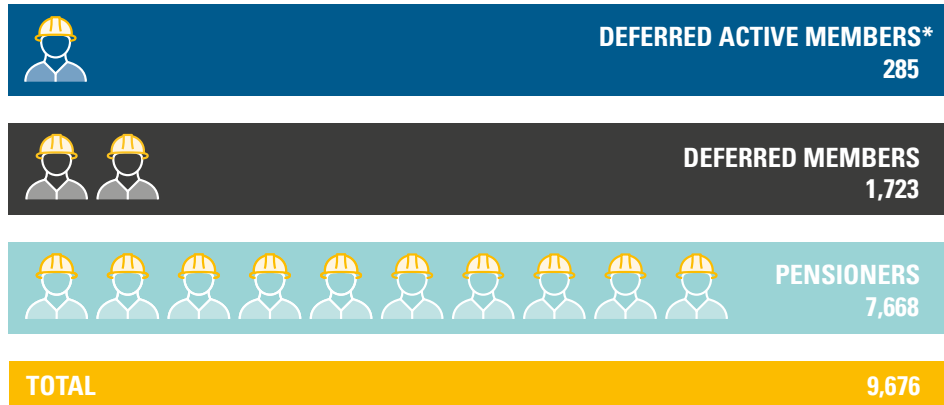
During the year, the Company paid contributions into the Plan of **£1.7 million**.



During the year, the Plan paid **£69.6 million** in benefits to members.

# WHO'S IN THE PLAN?

The total Plan membership decreased by 569 over the year to 9,676. The chart shows the split between the various membership groups as at 30 September 2023.

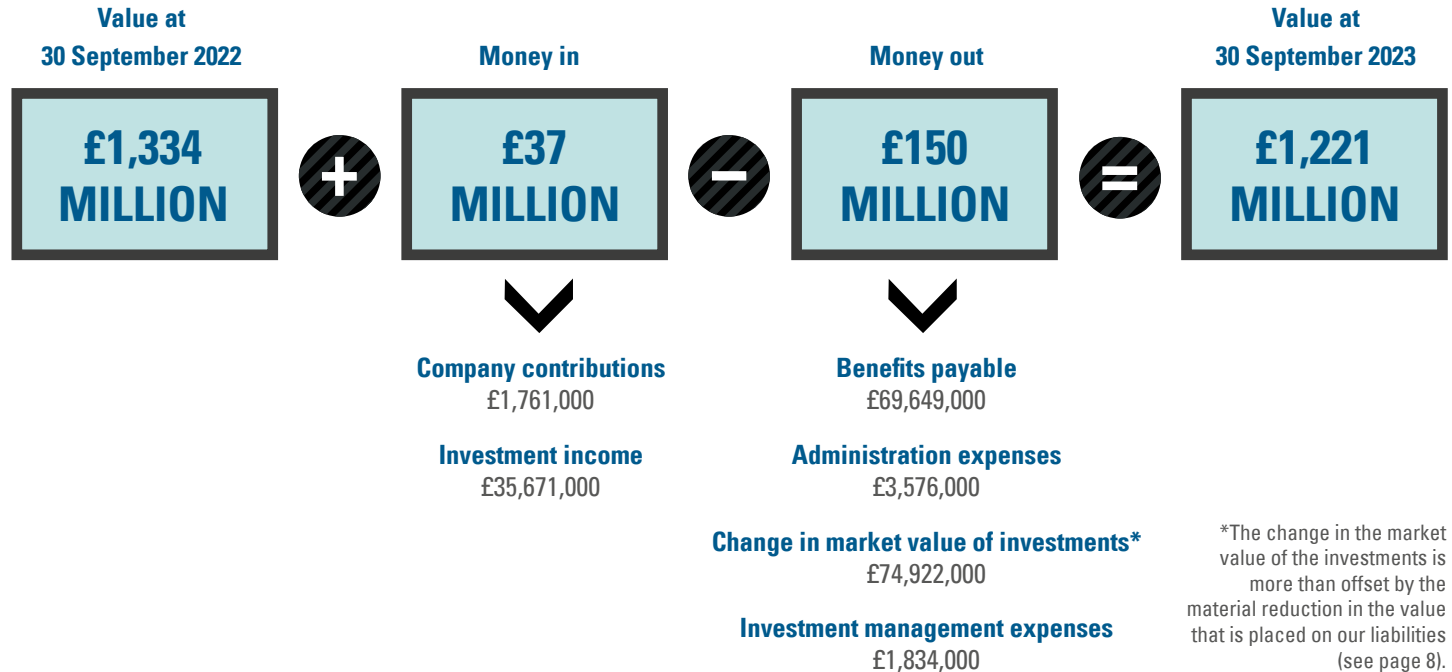


\*Deferred active members are those who still work for the Company and retain certain rights while they remain employed.



# THE DB PLAN IN NUMBERS

Here's a summary of the money paid into and out of the Plan during the year to 30 September 2023. If you want, you can ask Isio, the Plan administrator, for a copy of the Plan's audited report and accounts for 2023 on which this summary is based.



# THE TRUSTEE BOARD

## The Caterpillar Pension Plan is run by a corporate Trustee called Caterpillar Pension Trust Limited.

The Trustee company has six directors; three are nominated by the Plan's members and the other three are appointed by the Company.

There were no changes to the Trustee Board during the year to 30 September 2023.

### 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](http://www.mycatpension.co.uk)

## Advisers to the Trustee Directors

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

<b>Actuary</b>	Alistair Lyon, Mercer Limited
<b>Auditor</b>	PricewaterhouseCoopers LLP
<b>Administrator</b>	Isio
<b>Bankers</b>	HSBC plc Lloyds Bank plc
<b>Investment adviser</b>	Mercer Limited
<b>Investment managers</b>	Legal & General Assurance (Pensions Management) Royal London Asset Management
<b>Custodian</b>	Northern Trust Company
<b>Legal adviser</b>	Slaughter & May LLP
<b>Buy-in provider</b>	Aviva Life & Pensions
<b>Buy-in adviser</b>	Isio
<b>Secretary to the Trustee</b>	Zedra Inside Pensions Limited





# FUNDING UPDATE

**The Plan's 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 latest valuation, looking at the position as at 30 September 2022, has been completed. It showed that the funding level improved between 2019 and 2022. As at 30 September 2022, the actuary estimated that the Plan was 111% funded on the ongoing basis (up from 101% at the 2019 valuation). This means that on that basis, the money in the Plan on that date (called the 'assets') covered all of the pension and benefit payments that have been promised to members (called the 'liabilities').

## UPDATE 30 SEPTEMBER 2023

Assets  
**£1,221.3m**

Assets needed to pay  
all pensions and benefits  
**£1,070.1m**

Surplus  
**£151.2m**

Funding level  
**114%**

## VALUATION 30 SEPTEMBER 2022

Assets  
**£1,333.9m**

Assets needed to pay  
all pensions and benefits  
**£1,201.8m**

Surplus  
**£132.1m**

Funding level  
**111%**

## VALUATION 30 SEPTEMBER 2019

Assets  
**£2,205.6m**

Assets needed to pay  
all pensions and benefits  
**£2,183.4m**

Surplus  
**£22.2m**

Funding level  
**101%**

### Why did the funding level improve between 2019 and 2022?

The main reason for the improvement in the funding position between 30 September 2019 and 30 September 2022 was changes in market conditions, such as rising interest rates, which reduced the value of the Plan's liabilities and also its assets. Even though investment returns were lower than expected, investment losses were smaller than the reduction in the liabilities, which resulted in a larger surplus.



## **How has the funding level changed since the 2022 valuation was carried out?**

The Plan actuary also reviews the Plan's funding level in the years between valuations. These updates provide an approximate estimate of how the funding level has changed over the year. The annual update as at 30 September 2023 showed that the funding level had improved to 114%. This improvement was due to further changes in market conditions, including further interest rate rises, which reduced the value of the Plan's liabilities and also its assets. Although investment returns were lower than expected again over the year, investment losses were smaller than the reduction in the liabilities, which resulted in an increase in the surplus.

## **Benefits secured with Aviva**

In November 2023, the Plan purchased a buy-in policy from Aviva. A buy-in is a type of insurance product and remains an investment of the Plan. Under the contract, Aviva will pay the Trustee a part of the pensioner payroll, increasing the security of members' benefits.

## **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. The estimate must be for paying all pensions in full. 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 the Plan would have had a surplus of £25.9m if it had been wound-up on 30 September 2022, compared with the shortfall of £265.7m three years ago.

## **Payments to Caterpillar**

There have been no payments from the Plan to Caterpillar over the 12 months to 30 September 2023, and the Pensions Regulator has not had to use its powers in connection with the Plan.

## **Climate change reporting**

The Plan is now subject to climate change governance and reporting requirements, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The Trustee has therefore published a TCFD report online for the year ending 30 September 2023. You can download the report via [www.mycatpension.co.uk/db-plan](http://www.mycatpension.co.uk/db-plan) and follow the links to Library/Governance. Hard copies of this report are available on request by writing to Isio. You should also contact Isio if you need further information about the Plan or have any questions about your benefits.

# PLAN NOTICEBOARD

## Plan completes funding buy-in

In November, the Trustee wrote to all members to share the good news that the Plan has purchased an insurance policy with Aviva.

This type of transaction is often called a 'buy-in', and it enhances the financial security for members and their dependants by passing the risks associated with the Plan onto the insurance company.

In exchange for a lump sum payment, Aviva will provide a stable income to the Plan to pay the pension benefits covered by the policy, regardless of what happens with future investment returns or life expectancy.

The buy-in doesn't change your pension entitlement (or the value of the benefits that would become payable on your death), and the Trustee continues to be responsible for paying members' pensions in the same way it does now.

The policy sits alongside the Plan's other investments. Because the policy guarantees that there will always be enough money to pay members' pensions, it reduces the risk of there being insufficient assets to meet those obligations.



If you have any questions about the buy-in policy, please contact the Plan's administrator, Isio. Their details are on the back page.

## Premier changes to **isio**.

In last year's newsletter, we told you that the Plan's day-to-day administration was to move from the in-house Caterpillar Pensions Team to a specialist pensions provider called Premier Pensions Management.



**From 1 October 2023, Premier became known as Isio.**

Nothing has changed in terms of the administration team that look after the Plan – the change is simply to the name of the administrator and their branding.

# PENSIONS NEWS

## Changes to pensions tax allowances

The government has raised the limits on how much you can save into a pension scheme without having to pay tax on those payments. Most people can now pay up to £60,000 tax free into their pension pot a year (up from £40,000). If you have a very high income (over £200,000) or have already taken money out of your pension pot, the limit is lower, the lowest limit being £10,000 a year (it was £4,000). You can find out more about these limits on the MoneyHelper website.



Another change has been made to the Lifetime Allowance (LTA). This is a limit on how much you can build up in a pension pot tax free over your lifetime and has been frozen at just over £1 million for some time. If you went over the limit, you had to pay a charge at retirement on the amount over the LTA of up to 55%. The government scrapped this tax charge from April 2023, with any excess being taxed at the individual's marginal rate, and plans to abolish the LTA entirely from April 2024. However, it is worth noting that the Labour Party has promised to reverse this change if it wins the next election.

Neither the Trustee nor Isio can provide advice on personal financial matters, so if you think you might be affected by these changes, you should consider speaking to an independent financial adviser. You can search for an adviser on the MoneyHelper website, [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)



## NEWS SNIPPETS

**Pensions dashboard** – an online system which will allow people with a number of pensions to view them all in one place. This government-run project has been delayed, and schemes have been given until 2026 to connect.

**Normal minimum pension age** – remember, this is changing from 55 to 57 from 6 April 2028.

**State pension** – the earliest you can claim yours will depend on the year you were born. The State pension age is set to rise from 66 to 67 by 2028, and to 68 between 2044 and 2046. You can find out what your State pension age is at: [www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age)

# CONTACT US

**If you have any questions about the Plan or your benefits, please get in touch with the Plan's administrator, Isio (formerly called Premier Pensions).**



## Phone

0800 122 3200



## Email

Caterpillar@isio.com



## Website

[www.mycatpension.co.uk](http://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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## Other useful contacts

### The Pensions Regulator

The website for the UK regulator of work-based pension schemes.

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### Pension Tracing Service

Trace a personal or company pension scheme.

[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

### Department for Work and Pensions

Find out how to plan your pension and what you need to do as you near retirement age.

[www.gov.uk/plan-retirement-income](http://www.gov.uk/plan-retirement-income)

### Pensions Ombudsman

Investigates complaints about how pension schemes are run.

[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

### MoneyHelper

Provides information and tools to help you manage your money.

[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

### Financial Conduct Authority

Regulates the conduct of 50,000 financial firms.

[www.fca.org.uk](http://www.fca.org.uk)