CATERPILLAR INC
Form 11-K
June 28, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

[X]	ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2017
OR	
[ ]	TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from __________ to __________.

Commission File No. 1-768

CATERPILLAR 401(K) RETIREMENT PLAN
(Full title of the plan and the address of the plan, if different from that of the issuer named below)

CATERPILLAR INC.
510 Lake Cook Road, Suite 100, Deerfield, Illinois 60015
(Name of issuer of the securities held pursuant to the plan and the address of its principal executive office)

Caterpillar 401(k) Retirement Plan
Financial Statements and Supplemental Schedule
December 31, 2017 and 2016

Report of Independent Registered Public Accounting Firm
To the Administrator and Plan Participants of
Caterpillar 401(k) Retirement Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of Caterpillar 401(k) Retirement Plan (the "Plan") as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the year ended December 31, 2017, including the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ PricewaterhouseCoopers LLP

Peoria, Illinois
June 28, 2018

We have served as the Plan's auditor since 2003.

Caterpillar 401(k) Retirement Plan
Index

	Page(s)
Report of Independent Registered Public Accounting Firm	
Financial Statements	
Statements of Net Assets Available for Benefits, December 31, 2017 and 2016	1
Statement of Changes in Net Assets Available for Benefits, Year Ended December 31, 2017	2
Notes to Financial Statements, as of	3

December 31, 2017 and 2016 and for the Year Ended December 31, 2017

Supplemental Schedule
Schedule H, Line 4i - Schedule of Assets (Held at End of Year) December 31, 2017 17

Exhibit Index
23.1 - Consent of Independent Registered Public Accounting Firm

Signatures 19

Note: Other schedules required

by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Caterpillar 401(k) Retirement Plan
Statements of Net Assets Available for Benefits
December 31, 2017 and 2016

(in thousands of dollars)	2017	2016
Investments		
Interest in the Master Trust	$3,263,705	$2,618,554
Other investments – participant directed brokerage accounts	93,087	78,006
Total investments	3,356,792	2,696,560
Receivables		
Notes receivable from participants	43,950	46,911
Participant contributions receivable	297	2,080
Employer contributions receivable	24,794	27,181
Other contributions receivable	42	—
Receivables for securities sold – participant directed brokerage accounts	1,259	1,825
Total receivables	70,342	77,997
Cash	312	36
Total assets	3,427,446	2,774,593
Liabilities		
Payables for securities purchased – participant directed brokerage accounts	(679)	(1,318)
Net assets available for benefits	$3,426,767	$2,773,275

The accompanying notes are an integral part of these financial statements.

Caterpillar 401(k) Retirement Plan
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2017

(in thousands of dollars)	2017
Investment income (loss)	
Plan interest in net investment income (loss) of the Master Trust	$783,552
Net appreciation (depreciation) in fair value of investments from participant directed brokerage accounts	9,345
Net investment income (loss)	792,897
Interest and dividend income	
Interest income on notes receivable from participants	1,939
Interest and dividend income from participant directed brokerage accounts	3,001
Total interest and dividend income	4,940
Contributions	
Participant	52,518
Employer	57,496
Other	42
Total contributions	110,056
Deductions	
Participant withdrawals	(251,297)
Administrative expenses	(2,135)
Total deductions	(253,432)
Increase (decrease) in net assets available for benefits	654,461
Transfers	
Transfers from (to) other plans, net	(969)
Net increase (decrease) in net assets available for benefits	653,492
Net assets available for benefits	
Beginning of year	2,773,275
End of year	$3,426,767

The accompanying notes are an integral part of these financial statements.

Caterpillar 401(k) Retirement Plan
Notes to Financial Statements
December 31, 2017 and 2016

1. Plan Description
The following description of the Caterpillar 401(k) Retirement Plan (the “Plan”) provides only general information. Participants should refer to the Plan documents for more complete information regarding the Plan.

General
The Plan is a profit sharing plan that includes a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code ("IRC") and is an "employee stock ownership plan" within the meaning of IRC Section 4975(e)(7). The Plan is maintained and sponsored by Caterpillar Inc. (the “Company”), and enables eligible employees of the Company and its subsidiaries that adopt the Plan (the “participating employers”) to accumulate funds for retirement. The Plan is governed by the provisions of the Employee Retirement Income Security Act, as amended (“ERISA”).

Participation
Effective December 14, 2013, the Plan was closed for new entrants. Management, salaried and non-bargained hourly employees of the participating employers on U.S. payroll who meet certain age and service requirements and who are not eligible to participate in the Caterpillar 401(k) Savings Plan ("401(k) SP") are eligible to participate in the Plan. Participating eligible employees (the “participants”) elect to defer a portion of their eligible compensation through pre-tax and after-tax contributions. For determination of which employer contribution provisions of the Plan are applicable, participants are divided into “Group 1 Participants” and “Group 2 Participants”. These groups are described as follows:

Group 1 Participants - Participants who are not part of Group 2, as described below, are classified as Group 1 Participants.

Group 2 Participants - The following participants are classified as Group 2 Participants:

- Participants who, as of January 1, 2011, continue to accrue pension benefits or are eligible to continue to accrue pension benefits upon returning from a leave of absence under the pension equity formula of the Caterpillar Inc. Retirement Income Plan ("RIP"). Pension benefit accruals under RIP for these participants will cease on January 1, 2020, at which time these participants will move into Group 1.

- Participants who were employed by participating employers that were in existence on December 31, 2010 who did not participate in RIP or the Solar Turbines Incorporated Retirement Plan.

- Participants at specified facilities that have adopted the Plan. Effective dates for these participants vary based on the adoption of the Plan. Participants should refer to the Plan documents for a complete list.

Contributions
All participants (i.e., Group 1 Participants and Group 2 Participants) are eligible to make participant contributions through a pre-tax deferral arrangement and an after-tax Roth 401(k) arrangement as elected by each participant. Participants who are at least 50 years old by the end of the calendar year are allowed to make a catch-up contribution for that year. Contributions are subject to certain limitations set by the IRC. All participants also are eligible for employer matching contributions which are 100 percent of participant 401(k) contributions up to a maximum of 6 percent of eligible compensation.

In addition, Group 1 Participants are also eligible for an annual employer non-elective contribution. The non-elective contribution is based on a point system calculated on the last day of each Plan year which is the sum of the participant's age plus years of benefit service. Based upon the participant's point total, a non-elective contribution of 3, 4 or 5 percent of base and annual incentive pay will be made after the close of the Plan year. In order to receive the annual non-elective contribution, the participant must complete a year of benefit service and be employed by the Company or a participating employer on December 31st of the Plan year for which the contribution relates. The non-elective contribution is included in Employer contributions receivable on the Statements of Net Assets Available for Benefits and was $22.6 million and $23.1 million for the 2017 and 2016 Plan years, respectively. Group 2 Participants are not eligible for the annual employer non-elective contribution.

Participants direct the investment of their contributions, employer matching and employer non-elective contributions into various investment options offered by the Plan as discussed in Note 3. Participants generally may change their contribution elections and prospective investment elections on a daily basis and reallocate the investment of their existing account balance either daily or every seven business days (if subject to applicable trading restrictions) depending on the investment.

The Plan has an automatic escalation feature whereby eligible participants will have their default 6 percent deferral of base pay increase 1 percent each year until the participant is contributing 15 percent, unless the participant elects otherwise.

Participant Accounts
Accounts are separately maintained for each participant. The participant's account is credited with the participant's contributions, employer matching contributions, employer non-elective contributions, Plan earnings/losses (based on each participant's investment elections) and charged with administrative expenses. Participants are entitled to the benefit that can be provided from the participant's vested account.

Vesting and Distribution Provisions
Participants are fully vested in their participant contributions, employer matching contributions and related earnings thereon. Participants fully vest in the employer non-elective contributions and the related earnings thereon after being credited with three years of benefit service. The Plan provides for 100 percent vesting of the employer non-elective contributions and the related earnings thereon, upon a participant's death while actively employed or while performing qualified military service.

Upon termination of employment for any reason, including death or retirement, the balance in a participant's vested account is distributable in a single lump sum cash payment unless the participant (or beneficiary) elects to receive periodic withdrawals. Participants also have the option to leave their vested account balance in the Plan, subject to certain limitations. A participant also may elect to receive a distribution of Company shares up to the amount of the participant's balance in the Caterpillar Stock Fund. The value of any full or fractional shares paid in cash will be based upon the average price per share the Trustee receives from the sale of Company shares for the purpose of making the distribution.

Company contributions forfeited by terminated participants are used to reduce future Company contributions to the Plan. The amount forfeited and used to reduce future Company contributions for the year ended December 31, 2017 was $196 thousand.

Notes Receivable from Participants
The Plan provides for participant loans against eligible participant account balances. Eligible participants obtain loans by filing a loan application with the Plan's recordkeeper and receiving all requisite approvals. Loan amounts are generally limited to the lesser of $50,000 or 50 percent of the individual participant's vested account balance, with certain regulatory restrictions. Each loan specifies a repayment period that cannot extend beyond five years. However, the five-year limit shall not apply to any loan used to acquire any dwelling unit which within a reasonable time is to be used as the principal residence of the participant (determined at the time the loan is made). Loans bear interest at the prime interest rate plus 1 percent, as determined at the time of loan origination. Loans that transferred to the Plan due to acquisitions are based upon the terms of the plan agreement in effect at the time of loan origination. Repayments, including interest, are made through payroll deductions and are credited to the individual participant's account balance. Participant loans are measured at their unpaid principal balance plus any accrued but unpaid interest. For participant loans that are in default, the amount of the unpaid loan principle and interest due to the Plan will be treated as a deemed distribution. Deemed distributions are reported as a taxable distribution and remain part of the participant’s account balance until a distributable event occurs (i.e. as termination of employment).

Administration
The Plan is administered by the Company. Pursuant to procedures adopted by the Company, responsibility for the Plan's non-financial matters has been delegated to the Benefits Administrative Committee and responsibility for the Plan's financial matters has been delegated to the Caterpillar Inc. Benefit Funds Committee. The Company and the Benefit Funds Committee have entered into a trust agreement with The Northern Trust Company (the “Trustee”) to receive contributions, administer the assets of the Plan and distribute withdrawals pursuant to the Plan. The Company has retained Alight Solutions to provide recordkeeping and administrative services as part of the administration of the Plan.

Plan Termination
The Company has the right under the Plan at any time to terminate the Plan, subject to provisions of ERISA. In the event of Plan termination, participants will become fully vested in all benefits which have been accrued up to the date of Plan termination and Plan assets will be distributed in accordance with the provisions of the Plan.

Plan Qualification
The Plan obtained its latest determination letter on March 16, 2015, in which the Internal Revenue Service ("IRS") stated that the Plan and related trust, as then designed, were in compliance with the applicable requirements of the IRC. Although the Plan has been amended subsequent to the period covered by the determination letter, the Plan Administrator and the Plan's counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC, and therefore, believe that the Plan is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Company has analyzed the tax positions taken by the Plan and has concluded that, as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes the Plan is no longer subject to income tax examinations for tax years prior to 2007.

2. Summary of Significant Accounting Policies and New Accounting Pronouncements

New Accounting Pronouncements
Employee Benefit Plan Master Trust Reporting - In February 2017, the Financial Accounting Standards Board issued accounting guidance to improve the usefulness of information reported to users of employee benefit plan financial statements and to provide clarity to preparers and auditors. The new guidance primarily relates to the reporting by a plan for its interest in a master trust. The new guidance requires that a plan's interest in each master trust and changes in those interests be reported in separate line items in the statement of net assets available for benefits and statement of changes in net assets available for benefits, respectively. The new guidance also removes the requirement to disclose the percentage interest for plans with a divided interest in a master trust, requires all plans to disclose the dollar amount of their interest in each general investment type of the master trust, and requires plans to disclose the master trust's other asset and liability balances and the dollar amount of the plan's interest in each of those balances. In addition, the guidance also eliminates redundancy relating to 401(h) account asset disclosures which is not applicable to the Plan. This guidance is effective for the Plan year ending December 31, 2019, with retrospective application required. Early adoption is permitted. The Plan's management is currently reviewing the impact of this guidance on the Plan's financial statements and the accompanying notes to the financial statements.

Basis of Accounting
The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Investments
The Plan's interest in the Caterpillar Investment Trust ("Master Trust") and investments included in the participant directed brokerage accounts are valued as described in Note 4. Interest on investments is recorded as earned. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Administrative Expenses
The Plan charges a $5 per month per participant fee, which is transferred monthly from the Master Trust into a holding account to pay expenses as they come due. The amount accumulated in the holding account is used to pay certain administrative expenses that have been approved by the Benefit Funds Committee including recordkeeping fees, trustee fees, plan education and audit fees. The Company pays any administrative expenses which exceed amounts collected from participants annually by the Plan, excluding applicable expenses paid directly from participant accounts described below. If amounts collected from participants exceed certain administrative expenses, the Company determines whether a corrective action is appropriate which could include a reallocation of funds back to participant accounts or a structural change to the participant fees.

In addition, certain administrative expenses are paid directly from participant accounts. These administrative expenses include quarterly fees for participants invested in the participant directed brokerage option, quarterly fees for participants that utilize managed account services and processing fees for qualified domestic relations orders.

Participant Withdrawals
Participant withdrawals are recorded when paid.

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimated. The Company believes the techniques and assumptions used in establishing these amounts are appropriate.

6

Risks and Uncertainties

The Plan invests in a combination of stocks, bonds, fixed income securities, common collective trusts, mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

3. Investment Programs

Investment options that are currently available to participants consist of three main categories: Target Retirement Funds, core investment options (including the Caterpillar Stock Fund) and a participant directed brokerage option.

The Target Retirement Funds are portfolios created primarily from the Plan's core investment options. The goal of these funds is to give participants investment options that provide an age appropriate asset allocation. Each Target Retirement Fund contains a blend of stock and bond investments. The proportion of stocks and bonds in each fund is based on an anticipated retirement date and will change over time. These funds automatically change the asset allocation over time to maintain an appropriate level of risk for the retirement horizon. Below are the Target Retirement Funds for participants based upon their birth year with the assumption that participants will retire at the age of 65 and the asset allocation for the 2017 Plan year.