



Autumn 2023



Cummins UK Pension Plan

Pension news

For defined contribution (DC) members

Welcome

Welcome to the autumn issue of *Pension news*, the newsletter for defined contribution (DC) members of the Cummins UK Pension Plan.

Our new Plan website is about to be launched. It includes everything you need to know about the Plan and saving for retirement. As well as a great new design, there'll be some new functionality, including a cost calculator which allows you to see how much increasing your contributions would cost you in real terms, once tax relief and National Insurance savings are factored in. We've also broken down the process of saving for retirement into key moments, from starting out as a Plan member right the way through to retiring, with the different things to focus on at each stage. Please see the enclosed leaflet for more details.

We're pleased to confirm that our new drawdown transfer offer is now available as one of the options you can select when making your retirement choices. Provided by Legal & General, it's called the L&G Mastertrust Pension Access Scheme, and you can read more about this on page 4.

Finally, thank you to everyone who reviewed their nomination of beneficiaries as part of this year's Nomination Day in July. Knowing who's important to you is important to us, and it's excellent news that more than half our membership has an up-to-date nomination in place. If you haven't reviewed yours yet, you can do so at any time by logging in to your account via **Manage my pension**. It only takes a few minutes. If you're having problems logging in, please contact Isio (the new name for Premier – see page 6) using the details on the back page.

Nichola Moore

Chair of the Trustee



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Flexible access to your savings

In our spring newsletter, we told you that a new drawdown transfer offer would soon be available to members at retirement. We're pleased to confirm that this is now one of the options you can select when making your retirement choices.

Flexible income drawdown is an investment arrangement designed specifically for pension savers. It lets you dip into your retirement savings and take out money when you need to, while keeping the rest invested.

The Plan, like most other workplace pension schemes, doesn't offer drawdown directly. If you want to take your retirement savings in this way, you need to transfer them to a suitable drawdown provider. Just as there are lots of companies offering pension annuities, there are lots of providers offering income drawdown arrangements. The choice is yours and you can pick the one that's right for you.

A new transfer option at retirement

If you're interested in income drawdown, the new drawdown transfer option has been added to the choices for you to consider when you want to take your Plan savings. It's provided by Legal & General and it's called the L&G Mastertrust Pension Access Scheme.

While the Trustee isn't recommending this over any other option, it might be suitable for you if you're thinking about investing in a drawdown arrangement to access your Plan savings but don't want to make your own choice from the market.



The L&G Mastertrust Pension Access Scheme

If you choose this option, your pension fund would be transferred from the Plan and paid into the L&G Mastertrust Pension Access Scheme. This is part of the Legal & General Mastertrust, which is a defined contribution pension scheme. Like our Plan, it's managed by a board of trustees who are legally bound to look after your money.

The Trustee has selected and pre-checked the L&G Mastertrust Pension Access Scheme from a range of options. As part of this process, Legal & General are offering Plan members wishing to transfer customised terms at a competitive rate. These terms have been reviewed by the Plan's investment advisers.



You can find out more at
bit.ly/3G8aVTh

You are strongly advised to speak with an Independent Financial Adviser (IFA) to explore whether this option is right for you. Please see page 15 for details on finding an IFA.



If you're not ready to start taking your Plan savings just yet, you don't need to do anything now. However, it's a good idea to review your savings from time to time and think about your options for the future. Take a look at the **Review** and **Plan** steps on our new website for more information.



Plan noticeboard

Premier becomes Isio

In last autumn's issue of *Pension news*, we told you that Premier, the Plan administrator, had become part of Isio, and that you may start to see new branding on some of the communications you might receive directly from them.

From 1 October 2023, Premier became known as Isio. Nothing has changed in terms of the administration team that looks after the Plan, and you'll continue to receive the same levels of service that you're used to. The change is simply to the name of the administrator and their branding. We've updated the contact details shown on the back page of this newsletter to reflect the new name. Aside from this, it's business as usual.



Cyber risk and resilience

Cyber-attacks can affect individuals, companies and even governments – and the pensions world is not immune. Pension schemes hold large amounts of data and assets which can make them a target for criminals and fraudsters. You may have seen media reports of recent breaches at a number of well-known company pension schemes following a cyber-attack on Capita, a third-party pensions administrator.



As some of our members will know, Capita was our former Plan administrator until the move to Premier in January 2020. Unfortunately, the data for a small group of our pensioner members in the DB Section was compromised in the recent data breach. These members have been informed and action has been taken to protect them from the implications of this attack.

We are, however, thankful to report that no one in the DC Section of the Plan has been affected, as no historic data for DC members was held by Capita following the transfer of administration services to Premier.

The Trustee takes cyber security extremely seriously and includes cyber risk on its risk register, which is reviewed and updated regularly. The Plan has internal controls in place to identify and minimise the risk of a cyber incident occurring.



TCFD report published

New rules require the UK's largest companies and financial organisations to report on their climate-related risks and opportunities, as part of the government's commitment to making the UK financial system the greenest in the world.

As a long-term investor, the Trustee is acutely aware of the Plan's climate change responsibilities and has produced its first climate change report, describing how the Plan identifies, assesses and manages the opportunities and risks presented by climate change. If you'd like to see the report, you can find it on the Plan website.



Benefit statements

Your annual benefit statement was issued to you over the summer. Please remember to take a look at this important document, which explains how much has been paid into your pension fund in contributions during the year to 5 April 2023, how your fund is invested and any investment growth. You can also view your statement online, as well as check your current fund value.



The past couple of years have seen significant volatility in the financial markets, and we understand that you may be concerned that your investments may have seen falls in value. Ups and downs like this are a normal part of a long-term investment like a pension, and it's important to avoid making hasty decisions in response to short-term market conditions.

If you're thinking about making changes to your pension fund investments, we strongly suggest you get some impartial financial advice before taking any action. Neither the Trustee nor Isio can give you advice, but you can find further help and guidance from MoneyHelper at www.moneyhelper.org.uk



In the pipeline

Normal minimum pension age

We mentioned in our autumn 2022 newsletter that the government is raising the minimum pension age from 55 to age 57 with effect from April 2028. While this is still some way off, it may affect some of our members who are approaching this age and have plans to retire early. We'll be writing to you with further details in the coming months if this change will impact you.



Stepping up to the next level

Over the years, the cost of living usually rises gradually. Currently, however, we're seeing the very real impact of inflation on the price of ordinary goods and services, with sharp increases in food prices and household bills. Looking to the future, it's important for our pension savings to keep pace with inflation, if we want to maintain the buying power of our hard-saved money.

The amount of retirement income you'll have depends largely on two key things: how much you pay into your pension fund in contributions and how your investments perform over the years.

We'll be looking at investment options in more detail in our next issue of *Pension news*, but firstly, let's think about contributions.

It's a general rule of thumb that the more you can pay in and the earlier you start, the better. Thinking back to when you first joined the Plan and your rate of contributions, is it time for you to step up to the next level?

Step up to saver contributions

If you're currently only paying basic contributions of 3% from you and 5% from Cummins, increasing your contribution to pay saver contributions will mean that you also get an extra Company saver contribution that matches yours:

| Basic contributions | Saver contributions | | Total contributions |
|--|---------------------|-----------------|---------------------|
| | If you pay... | Cummins pays... | (basic + saver) |
| 8% (3% from you + 5% from Cummins) | 1% | 1% | 10% |
| | 2% | 2% | 12% |
| | 3% | 3% | 14% |
| | 4% | 4% | 16% |

Once you reach the maximum matched saver level of 4%, your pension fund is getting a valuable total contribution of 16% for the price of just 7% from you (with 9% coming from Cummins).

To saver and beyond!

If you're already paying the maximum matched saver contributions, you don't have to stop there. You can choose to pay regular additional voluntary contributions (AVCs) as a percentage of your salary or a fixed amount, or you can pay a one-off amount. Unlike saver contributions, these aren't matched by Cummins, but anything extra you can afford to pay will give your pension fund a valuable boost.



An extra 1%

You don't need to make a big jump in contributions to make a difference. Why not consider stepping up gradually, for example 1% each year? Over the course of your membership of the Plan, you'll be making an extra 1% of your salary go a long way. And after all, very few people reach retirement and say, 'I wish I hadn't saved more.'

Paying the SMART way

SMART is a salary sacrifice method of contributing to your pension, that most members use. It means you make savings on tax and National Insurance, bringing the cost of paying £1.00 into your pension down to just 68p (for basic rate taxpayers).

Take a look at the **Save** step on our new pensions website and try the cost calculator so you can see how much paying a little bit more will cost you.



Pension matters

Changes to pensions tax allowances

Increase in the annual allowance

Paying into a pension scheme is a tax-efficient way of saving for retirement. However, the government places a limit on the amount of pension contributions you can make in a year that get tax relief. This is called the annual allowance (AA) and, in April 2023, it increased from £40,000 to £60,000. There are some exceptions to this standard AA:

- If you have an annual income over £200,000, with an adjusted income of more than £260,000, your AA may be reduced and it could be as low as £10,000. This is called the tapered annual allowance (TAA).
- If you've already accessed any pension savings flexibly, you'll have a restricted AA called the money purchase annual allowance (MPAA). From April 2023, this increased from £4,000 to £10,000.

Removal of the lifetime allowance

The government has previously placed a limit, called the lifetime allowance (LTA), on the total amount of tax-free pension savings you could build up over your lifetime. From April 2023, the tax charge for exceeding the LTA has been removed, and the LTA itself will be abolished in April 2024, subject to legislation.

Thinking of taking some tax-free cash at retirement?

When you take your benefits, you can choose to take a tax-free cash lump sum of up to 25% of the value of your pension pot. A limit of £268,275 now applies to this lump sum.

In some circumstances, the value of your tax-free lump sum limit may be higher than this if you've previously applied to HMRC (before March 2023) for 'pension protection'.



Early pension release scams

Pension scams often involve attractive offers that aim to persuade you to transfer your pension pot (or release funds from it). You should be very wary of any scheme offering to help you release cash from your pension before you're 55. It's almost certainly a scam.



Generally, you can only take money from your pension when you're 55 (rising to 57 in 2028) or older, except in certain cases such as poor health. Offers to access your pension early may be called 'pension liberation' or a 'pension loan', as the scammers often claim you can borrow money from your pension fund. **You can't.**

If you take up the offer, your pension savings will be transferred into a scheme set up by the scam, which will often be based abroad. You may be 'loaned' an amount (often around half of your pension), with the company involved taking a fee, sometimes as much as 30%.

You could also face a tax bill of 55% on what you withdraw, even if:

- you didn't realise you'd broken the tax rules
- you put the money back in your pension
- you've paid fees or charges to the company involved
- you've spent all the money.

Once you've paid the fees and tax, any money remaining will then be invested in high-risk products or projects, like overseas property developments. Sometimes it's simply stolen outright.

To find out more about pension scams and how to protect yourself, see the Financial Conduct Authority's website at www.fca.org.uk/scamsmart

Dashboard delay

The government has announced a further delay to the pensions dashboard project which is now not expected to launch until October 2026. Staging dates for pension schemes to join the complex programme will be set out in guidance rather than by legislation, allowing the government and the pensions industry to work together more flexibly.



Running the Plan

The Plan is looked after by a Trustee board, which has 13 directors: some are appointed by the Company and some have been nominated by the Plan's members. The Trustee has three sub-committees, focusing on the key areas of communications, governance and investment.

Your current Trustee directors

Anthony Waller

Emily Chapman*

Gloria Griesinger

Ian Smith*

James Guilfoyle

James Guyett*

Lisa Thornton

Martin Bruniges*

Natalie Morton*

Nichola Moore, Chair

Paul Bennett

Stephen Coughlan

Stuart Stubbings*

*member-nominated directors (MNDs)



Useful links

There's lots to know about pensions, and if you'd like more information and guidance, the following organisations may be useful to you.



Guidance about money and pensions

MoneyHelper is the government's free, financial information and guidance service. The easy way to get trusted help for your money and pension choices, it's available online and over the phone. With clear and impartial help that's quick to find and easy to use, MoneyHelper also provides pointers to trusted services if you need more support. Go to www.moneyhelper.org.uk

Finding a financial adviser

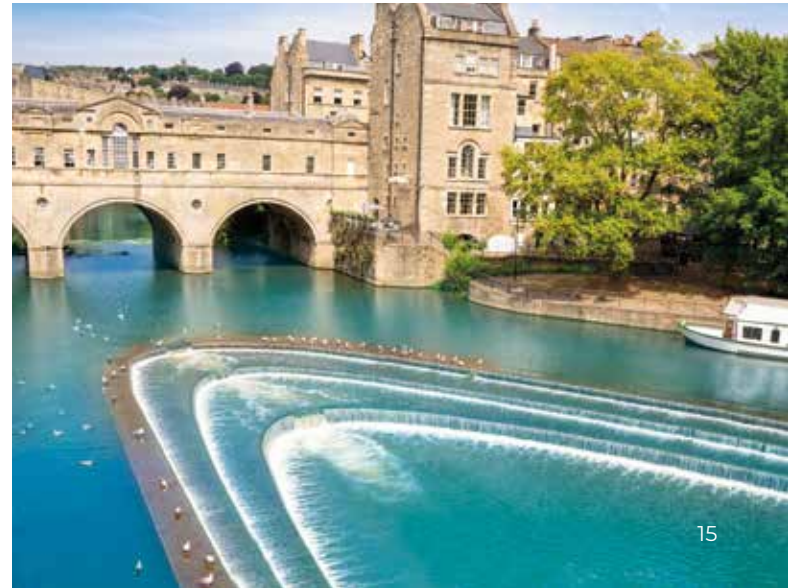
These websites are useful if you're looking to find an independent financial adviser in your local area: www.unbiased.co.uk or www.vouchedfor.co.uk

Check who you're dealing with

The Financial Conduct Authority regulates financial markets and companies providing financial services in the UK. Use its register to check that the company or adviser you're dealing with is listed and authorised to provide specific financial services. Go to www.fca.org.uk

Information about the State pension

When you're planning your retirement, it's good to have a clear idea about how much State pension you'll get and when you can claim it. The State pension has been under review in recent years and the earliest you can claim yours will depend on the year you were born. You can find out your State pension age at www.gov.uk/state-pension-age and get a forecast at www.gov.uk/check-state-pension



Get in touch

If you have a question about the Plan or your benefits, please get in touch with Isio, the Plan administrator.

Call us:

0800 122 3266

+44 (0)203 3722 113 (from overseas)

Email us:

cummins.helpdesk@isio.com

Write to us:

Isio

PO Box 108

Blyth NE24 9DY

Plan website:

www.cumminsukpensions.co.uk



Moving home?

Please remember to update your details online if you change your address or any other personal details. If you currently work for Cummins, you should use OneSource.

FSC Logo
to go here

This product is made of material from well-managed, FSC®-certified forests and other controlled sources.

Please recycle this document after use.



Pension news is available in large print on request.

You can also read it online on the Plan website.

