

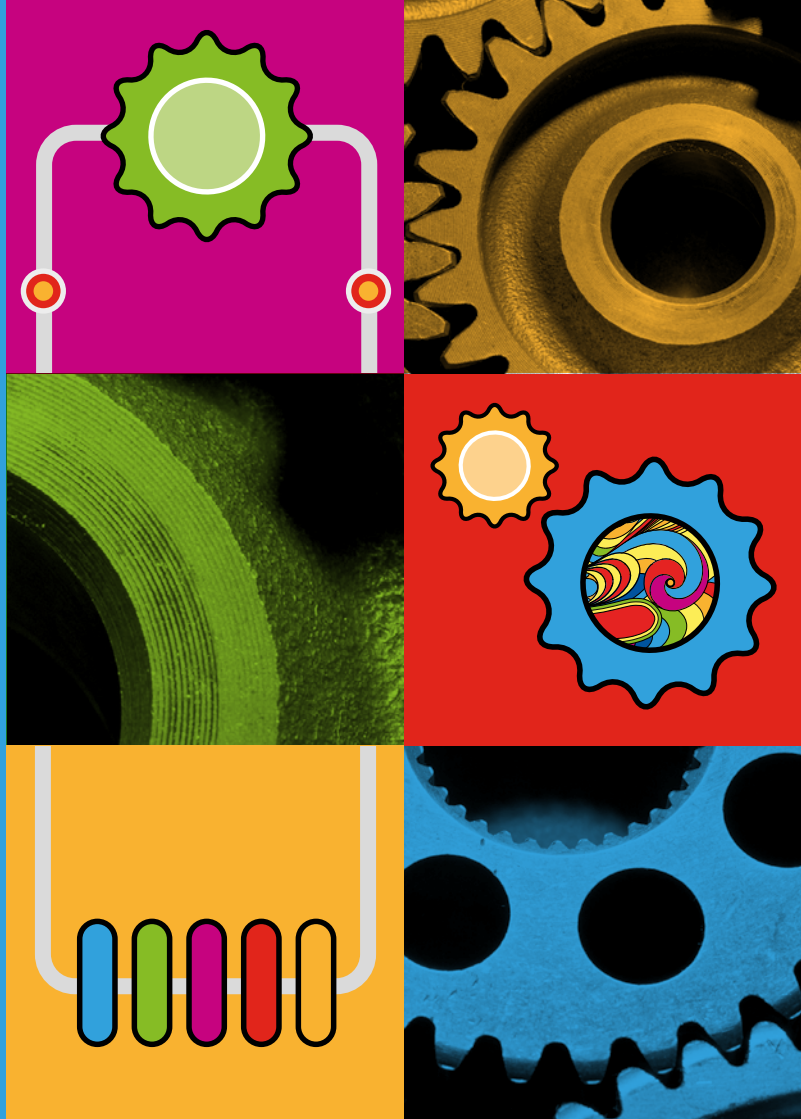


Cummins UK Pension Plan

Pension news

for defined benefit members

November 2020



Welcome

Since our March newsletter, when the UK was entering lockdown, it's clear that this year is far from normal. The Trustee's priority has been to ensure the normal running of the Plan and to focus on managing the Plan's investments through this crisis.

Covid-19 has the characteristics of a 'black swan' event for investment markets: as it's unprecedented, it makes it very unpredictable with the potential for a very large impact on the global economy. For example, the first three months of 2020 saw incredibly volatile conditions in global markets, with global equities falling by approximately 16% during that time. There was also a sharp fall in gilt yields, followed by extreme volatility.

Consequently, the Trustee's investment sub-committee (ISC) continues to maintain a close review of the situation, meeting regularly throughout this challenging period. You can read more about this in the Covid-19 market update on page 4.

One of the most difficult tasks the Trustee directors face is what to do with a member's personal account if they die without completing a nomination form. We have to investigate that member's circumstances and decide who to pay. This can take a long time, and despite our best efforts, it may cause a delay in paying any benefits that are due. Obviously, we hope that you'll be taking your benefits yourself, but in case the worst should happen, an up-to-date nomination form helps the Trustee directors with their decision and reduces delays. Have a look at our '5 things to do today' on pages 7 to 9 – it's our number one task.

As mentioned in our March newsletter, we have welcomed two new MNTs, Martin Bruniges and Natalie Morton. In this issue, you can find out more about Natalie on pages 16 and 17. Another of our MNTs, Darren Russon, recently stepped down from the board after more than 10 years. Darren has been an active and engaged Trustee director, and I thank him for his long service and dedication to the Plan.

Finally, we hope you enjoy reading this issue of *Pension news* and find it useful and interesting. Don't forget, there are also regular updates from the Plan on the Plan website. We hope you and your family stay safe and well at this unusual and difficult time.



Nichola Moore
Chair of Trustees

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Plan noticeboard

Covid-19 market update

Although the movements in markets have been extreme, the DB Section's high liability hedge ratio has helped protect the Plan's funding level. Also, a high level of diversification from traditional equities in the portfolio has significantly limited the impact of equity market falls on the Plan's funding level.

The DB Section is a long-term investment and following advice, the Trustee hasn't made any significant changes to the investment strategy in response to the short-term market events, beyond the ISC's orderly rebalancing of investments where practical. This has proved to be the correct course of action as the Plan's position is relatively unaffected by the market volatility thanks to its well-diversified asset portfolio.

If you have AVCs or other defined contribution (DC) savings, these may have been affected by the volatile markets. If you're using one of the Plan's flexicycle strategies, which automatically reduce risk in the run-up to retirement, these have generally been successful in reducing the losses for members closest to retirement, who are less able to tolerate sudden falls in their savings. If you're using the self-select funds and are invested in global equities, you will have experienced falls in equity values, with high volatility expected to remain for the short term.

The Plan receives an excellent value-for-money rating

The Trustee is committed to ensuring that members receive value from their Plan membership, in that the contributions invested and the charges deducted provide good value in relation to the Plan's benefits and services.

The latest value-for-members assessment, carried out by the Trustee and Willis Towers Watson, looked at key areas of the Plan as well as the general characteristics of the Plan’s membership. The results are shown below:

Category	Paid for by	Value for members	Broader value
Charges	Members	Excellent	-
Governance and management	Trustee/Company	-	Excellent
Investment	Members	Excellent	Excellent
Administration	Trustee/Company	-	Good
Communications	Trustee/Company	-	Excellent

The score for governance and management and for investment have both improved since last year’s assessment. The Trustee considers that members receive high value in all areas. Only the highest two ratings have been applied to the Plan this year, which is very good news.

Overall, the Trustee concluded that the Plan provides excellent value for members, not only because the charges paid by members are competitive, but also because of the range and quality of services and benefits associated with Plan membership that are paid for by Cummins. You can read the latest value-for-members assessment in full in the annual Chair’s Statement on the Plan website.

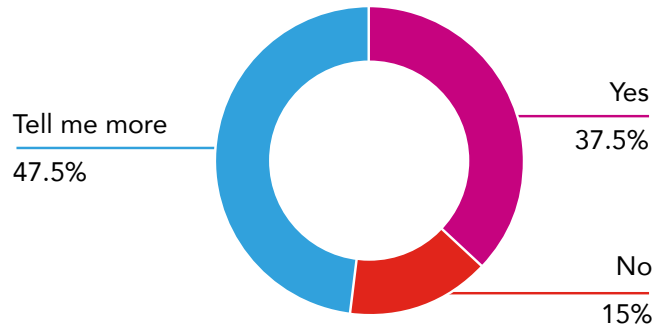




Plan noticeboard (continued)

Find out more about pensions

You can now take part in our online quick polls, which look at important issues about pensions. See the results instantly and find out what other people think too. Click on the DB Section button on the homepage of the Plan website (www.cumminsukpensions.co.uk) to find the latest poll. Updated every three months, the most recent poll asked, 'Do you know how retiring early or late affects your Plan pension?'



As you can see, more than half of members were not clear about the impact on their Plan pension of retiring early or late. Making sure your retirement income will be sufficient for your whole retirement is a key factor when deciding when to retire. Find out more on pages 10 and 11 about the things to consider when making your retirement happen.

5 things to do today

1. Update your nomination form

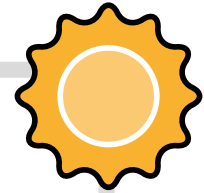
If you only do one thing on this list – do this.

Your pension is a little bit different from your other assets. The Plan operates as a Trust, which means that in the event of your death, the Trustees must decide who to pay any benefits to on your behalf. The reason for doing it this way is so that your Plan benefits don't get included as part of your estate and counted towards any inheritance tax that might be payable.

If the worst should happen, make sure any benefits that are due go to the right person. You can change your nomination at any time, but it's a good idea to review it on an annual basis or if your personal circumstances change, such as if you get married or divorced, enter or leave a civil partnership, or have a child.

Filling in the nomination form* is really easy and can be done online in a matter of minutes via **Manage my pension** – in fact, in the time it takes to make a cup of tea. So, why not pop the kettle on and update your nomination now?

* This is not the same as your next of kin details form held by HR in case of emergencies.



5 things to do today (continued)

2. Review your AVCs



Whether you use the Plan's flexicycle investment options or the self-select funds, it's a good idea to review your AVC investment choices regularly to make sure you're still on track with your plans for the future. If you haven't already, start thinking about how you'd like to take your AVC savings when you retire. Your choices include:

- annuity
- income drawdown (a flexible income)
- cash (a single lump sum)
- a combination of these options.

In recent months, you may have seen falls in the value of your personal account, caused by market volatility and the Covid-19 crisis. We understand that this can be worrying, but we urge you to remember the big picture. Pension saving is a long-term investment and markets go up and down all the time. It's important to take independent financial advice if you're worried about your investments and avoid making hasty decisions based on recent events.

3. Check your State pension age – mind the gap



Your normal retirement age from the Plan is age 65, but this might not be the same as your State pension age, which could be age 66, 67 or 68. When planning your retirement, you'll need to consider the income gap between taking your Plan pension and claiming your State pension. You might want to use your AVCs, if you have them, to fund this period of your retirement. You can check your State pension age at <https://www.gov.uk/state-pension-age>

4. Take the shortcut...to the Plan website



Did you know you can easily add a shortcut to your phone or tablet's home screen that takes you straight to the Plan website? There's no need to keep putting in the website address every time: the shortcut icon takes you to the home page in one click, where you can find the latest news from the Plan or log into your account using **Manage my pension**.

On your phone or tablet, first go to **www.cumminsupensions.co.uk** and then:

iPhone/iPad:

1. Click the share button
2. Choose 'add to home screen'

Android:

1. Tap the menu button
2. Choose 'add to home screen'

The shortcut will appear on your home screen like any other app shortcut or widget. Our new Plan website is fully responsive, and so it automatically adapts to whatever device you're using to view it on. Thanks to our MNT, Steve Coughlan, for researching this shortcut.

5. Get a pension quote



If you're thinking about your options at retirement, you can get an up-to-date pension quote by logging into your personal account via **Manage my pension** on the Plan website.



Planning for retirement

a new lifestyle and making it happen

Getting ready to retire is an exciting time, but there's also a lot to think about. Retirement is a whole new chapter of your life and as you get closer to it, there are some important choices you'll need to make. You should try to allow yourself plenty of time so that you can consider your options carefully – perhaps beginning a couple of years before you intend to retire.

Getting your finances in order

If you have DC benefits, you can find out how much your pension fund is worth by checking your account online using the Plan website. When you're ready, you should request a retirement quote from Premier, the Plan administrator, who will send you a retirement pack explaining the options for taking your DC benefits along with your personalised statement of Plan retirement benefits.

If you have DB benefits either in the Plan or elsewhere, you can request a pension quote from the administrator to find out how much your pension is likely to be. For our Plan, you can do this using the Plan website. The administrator will send you a retirement pack explaining your options. This includes deciding things like whether to use some of your pension to take a tax-free cash lump sum or transferring the value of your benefits to a DC arrangement to access them flexibly. If you have AVCs, you'll also need to decide how you want to take these.

Countdown to retirement

- ✓ Work out how much your retirement income is likely to be and whether this will be enough. Don't forget to include your State pension and whether there is a gap between your intended retirement date and being able to claim your State pension.
- ✓ Consider where your savings are currently invested – if you're using self-select funds, think about moving them to safer investments. If you're in a flexicycle strategy, these will be moved automatically to reduce investment risk.
- ✓ Do you need to boost your savings before you finish working? If your retirement income is not as much as you hoped, consider changing your retirement date or increasing your contributions.
- ✓ Plan your budget and clear your debts.
- ✓ Get financial advice before making your choices.

Life after work

Your wellbeing is a key element to consider in the lifestyle change that retiring represents. It's a big adjustment which can be very exciting but also quite overwhelming. Some people look forward to having more free time to spend on their interests, while others dread losing the routine and social aspects of work.

Information and advice

As a Plan member, you can use Premier's Gateway2retirement service to help you look at your options and plan your retirement income.

Alternatively, you can find an independent financial adviser local to you using www.unbiased.co.uk

You can also find out more about retiring and financial planning from the Money and Pensions Service at www.maps.org.uk

Your pension and tax

If you're thinking of increasing your AVCs and making the most of tax relief, here's a reminder about your allowances for this tax year 2020/21.

Annual allowance (AA)

This is the limit on the amount of tax-free pension contributions you can make in a year. The standard AA is £40,000. For DC savings, this covers the contributions you and the Company make. For DB savings, it is the increase in value of your pension benefits over the year, in excess of inflation. If you have both DC and DB savings, you will need to add these together.

AA for high earners

In April 2020, a change was introduced to the limit on the amount of tax-free pension savings you can make in one year if you're a high earner. If your total income is over £240,000, the AA will be reduced by £1 for every £2 of income over the threshold and could be as low as £4,000. Your AA is personal to you based on all your income, not just your salary from Cummins, so you'll need to work it out

yourself, but you can use our tax modeller to help you at <https://cumminsptp.gateway2retirement.com>

Money purchase annual allowance (MPAA)

If you have already accessed some of your pension savings flexibly but are continuing to save into a pension, the MPAA will apply to you. This is currently £4,000.

Lifetime allowance (LTA)

This is the maximum amount of pension savings you can have at retirement from all UK registered pension schemes without incurring an additional tax charge. It currently increases annually in line with inflation as measured by the Consumer Prices Index. It is set at £1,073,100 for the 2020/21 tax year.

Pension news

Did you know you can defer your State pension?

Almost half (47%) of 55 to 64-year-olds don't know that deferring their State pension will increase these payments when they start to claim them, according to research by pension provider Just Retirement. Putting off the age you claim the State pension means the amount you receive when you do claim it can go up significantly.

The State pension isn't paid automatically, so you need to make a claim to start receiving it. You can delay when this happens, known as deferring your State pension.

With the new State pension now £175.20 a week, deferring for one year can increase the amount you receive by £10.16 a week or £528.32 a year. You can also defer your State pension payments after you start receiving it, although you can only do this once during your retirement. Contact the Pension Service on 0800 731 0469 for more details.



Pension news (continued)



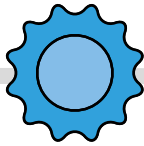
Millions in lost pensions

Research from the Association of British Insurers (ABI) shows that around 1.6 million pension pots worth an estimated £19.4 billion have been lost because people move home but forget to tell their pension providers their new address. This is the equivalent of £13,000 lost per person.

In the ABI survey, nine out of 10 people said they automatically think of telling their GP or dentist about their change of address, but only one in 25 thinks about updating their pension scheme.

If you think you have a lost pension, the Pension Tracing Service will help you track down lost retirement pots. For more information, go to: www.gov.uk/find-pension-contact-details





Scam alert!

A major event like the coronavirus crisis can lead to new types of scams. With this in mind, we urge you to be vigilant for scams of all kinds over the coming months. These could be about insurance policies, pension transfers or high-return investment opportunities, including investments in crypto-assets.

Scammers are sophisticated, opportunistic and will try to get personal details or money from victims in many ways. They tend to target people who are feeling vulnerable, particularly in the current climate with many people being at home.

Spotting a pension scam

Pension scams can be hard to spot but their effects are devastating, with many people losing their entire life savings. While promising high returns and low risk, in reality, pension scams can leave you with nothing. You could also face a huge tax bill from HM Revenue and Customs if you withdraw your savings before age 55.



Scams often involve unusual, high-risk investments like overseas property, renewable energy bonds, forestry, parking or storage units. If it sounds too good to be true, it probably is. Anyone can be a victim of a pension scam, no matter how sharp-witted you think you are. You can check with the Financial Conduct Authority (FCA) if an offer sounds suspicious.

The FCA's most searched-for investment and pension scams are:

- Cryptocurrency (e.g. Bitcoin)
- Binary options
- Foreign exchange
- Shares
- Bonds
- Pension review
- Pension loan/liberation

For more information about these and other pension scams as well as how to avoid them, visit:

www.fca.org.uk/scamsmart

Meet our new MNT



Natalie Morton is one of our newest member-nominated Trustees (MNTs), who joined the board in March 2020. Here, we find out a bit more about her.

Natalie is Regional Payroll Manager for Europe and the Middle East and joined Cummins nearly 13 years ago.

Why did you want to become a Trustee?

I've thought about becoming a Trustee for a few years now. Working in HR and payroll, I've always worked closely with pensions and found it interesting. The payroll environment is very controlled due to the materiality and the risk, and I thought I could use this knowledge on the Trustee board whilst having a good level of understanding of how pensions are applied in payroll.

I have also been a pensions link committee member for a number of years and a member of the communications sub-committee (CSC). Becoming an MNT seemed like the next step for me.

What interests you about pensions?

Pensions are an ever-evolving field, which is something I enjoy; although, at the moment, I'm on a steep learning curve! I feel learning about pensions will assist me in my current and future roles. I have a personal interest in educating myself and others about how best to save for retirement, which I'd like to do as early as possible!

What do you think is the greatest challenge for workplace pension schemes?

I feel the main challenge is employees' understanding of pensions. There's a lot of jargon and information that makes pensions confusing and daunting for a lot of people. The CSC works to provide the relevant and correct information in an understandable format, which helps members to make informed choices about their retirement.

The earlier you contribute, the better placed you are to retire and enjoy your retirement without the additional worry of finances.

What was your dream job as a child?

I wanted to be a meteorologist – I love the dreams you have as a child! Payroll is a world away from analysing weather.

What do you like to do in your spare time?

I love travelling and trying the local cuisine wherever I happen to be. As well as eating, I enjoy cooking although, sometimes, it doesn't turn out well! I like to keep fit by going to the gym and walking. This allows me to indulge my passion for food!



Running the Plan

The Plan is looked after by a Trustee board which has 14 directors, seven appointed by the Company and seven who are nominated by the Plan's members.

Anthony Waller
Bernadette Daley
Darren Russon* (until September 2020)
Edward Smith
Gloria Griesinger
Gordon Davis*
James Guilfoyle
John Finlay* (known as Jack)
Lisa Thornton
Martin Bruniges*
Natalie Morton*
Nichola Moore, Chair
Paul Hoskins*
Stephen Coughlan*

*member-nominated Trustees



The Plan has three sub-committees which focus on communications, investment and governance.

Governance sub-committee (GSC)

The GSC ensures that the Trustee board's processes comply with the Pensions Regulator's expectations, legal requirements and good business practice. It also manages the training of board members.

Bernadette Daley
Edward Smith
James Guilfoyle
Jo Rayner
Julian Rose

Communications sub-committee (CSC)

The CSC focuses on providing clear, engaging pensions information to our members. It includes members from most of the UK sites.

Amanda Scott
Crena White-Lewis
Darren Russon (until September 2020)
Ellen Baldwin
Jill Szymanski
Jo Rayner
Martin Bruniges
Michael Abbott
Natalie Morton
Paul Hoskins
Samantha Bennett
Wordshop

Investment sub-committee (ISC)

The ISC advises the Trustee on strategic investment, risk management and covenant issues, and reviews the providers we use to help us.

Anthony Waller
Crena White-Lewis
Gloria Griesinger
John Finlay (known as Jack)
Julian Rose
Nichola Moore
Paul Hoskins
Willis Towers Watson Investment Consultants

Company news

Helping a local food bank stay open

A community impact team in Darlington have received a community development grant from the Cummins Foundation to help support four local food banks in the area that were struggling to stay open. A lack of food storage space and increased demand meant that they needed to close early as they constantly ran out of supplies. The team remodelled an old furniture store and turned it into a warehouse to act as a centralised food storage and distribution facility for the county's food banks. The extra space has allowed food banks to tackle underlying issues of poverty with counselling sessions and hosting community job fairs.

CTT Huddersfield hailed for safety strategy during pandemic

Cummins' Turbo Technologies plant in Huddersfield has been recognised by local government officials as a leader in driving change for new regulations, ensuring its workforce's safety during the Covid-19 pandemic.

Their strategy has now been used as a template for other firms emerging from lockdown. The government guidelines on how to work safely in factories, plants and warehouses were issued recently and featured best practices from Huddersfield.

Making life better

Stephen Layton, a CBS Telecommunications Manager, joined the front line of the UK fight against Covid-19. Before working for Cummins, he worked in the medical gas testing industry, checking oxygen and other essential gases for use in hospital intensive care units. When the pandemic hit the UK, Stephen volunteered to help test the gases at various locations including the emergency Nightingale Hospital at ExCel in London. He completed over 100 volunteer hours, embodying the Cummins values of caring and integrity.

Accounts and amounts

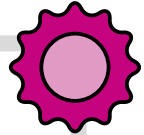
The year at a glance...



As at 31 December 2019, the Plan was worth **£1.5 billion**



The Plan paid benefits to members worth **£37 million**



Financial highlights

	2019 £'000	2018 £'000
Plan value at the start of the year	1,403,509	1,459,124
Money in less money out	(20,051)	(25,170)
Change in market value	147,494	(30,445)
Plan value at the end of the year	1,530,952	1,403,509



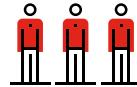
Accounts and amounts (continued)

Money in	2019 £'000	2018 £'000
Contributions	24,274	17,857
Transfers and other income	410	957
Investment income	3,840	3,893
TOTAL	28,524	22,707

Money out	2019 £'000	2018 £'000
Benefits paid to members	(37,067)	(38,307)
Payments to leavers	(64)	(168)
Transfers out	(8,322)	(6,181)
Administration expenses	(2,750)	(2,871)
Transfers to DC Section	(372)	(350)
TOTAL	(48,575)	(47,877)

Who's in the Plan?

Active members

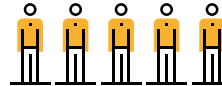


2019: **685** 2018: **726**

Total members

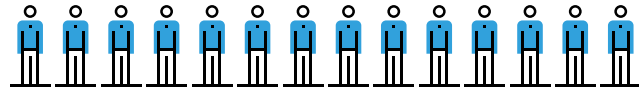
2019: **6,522**
2018: **6,684**

Deferred members



2019: **1,408** 2018: **1,466**

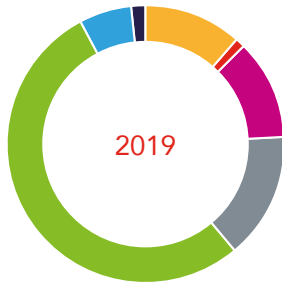
Pensioners



2019: **4,429** 2018: **4,492**

Where are the assets invested?

The chart shows the allocation of the Plan's assets as at 31 December 2019.



	2019	2018
Equities	10.3%	11.7%
Real estate	1.1%	1.5%
Private equity	11.8%	11.9%
Fixed income	14.6%	13.2%
Liability matching	53.4%	56.5%
Alternatives	7.3%	5.2%
Cash	1.6%	-

Figures may not sum to 100% due to rounding.



Summary funding statement

This statement explains the funding that supports your benefits in the DB Section of the Cummins UK Pension Plan. It tells you about the longer-term outlook for the DB Section and the substantial financial support the Company provides.

Understanding this statement

Every three years, the Plan actuary carries out a full valuation of the Plan, comparing the value of the assets with the amount of money that will be needed to provide members' benefits (the Plan's liabilities). The percentage of the liabilities that can be covered by the assets is known as the funding level. If this is more than 100%, there is said to be a surplus: if it's less than 100%, the Plan has a shortfall. In between valuations, the actuary provides the Trustee with annual updates.



The latest position

The most recent valuation of the Plan looked at the position as at 1 January 2018, when the Plan had a surplus of £73.6 million – or a funding level of 105%. Since then, the Plan actuary has provided the Trustee with an update of the position as at 1 January 2019 and at 1 January 2020, as shown in the table.

	Valuation 1 January 2018	Update 1 January 2019	Update 1 January 2020
Assets*	£1,450.6 million	£1,395.8 million	£1,521.6 million
Amount needed to provide benefits	£1,377.0 million	£1,346.6 million	£1,438.3 million
Surplus	£73.6 million	£49.2 million	£83.3 million
Funding level	105%	104%	106%

*not including additional voluntary contributions or DC Section assets.

The funding level improved during the year to 1 January 2020 because of better-than-expected investment returns. However, the improvement was partly offset by significant falls in government bond yields which meant that the amount needed to provide benefits increased.

The next actuarial valuation is due as at 1 January 2021.

How is my pension paid for?

The Company (Cummins Ltd and the other participating companies in the UK) and active members of the DB Section pay regular contributions into the Plan. These are held in a common fund (rather than in individual accounts for each member) from which the Trustee pays pensions to members when they are due.

Summary funding statement (continued)

How is the amount the Plan needs worked out?

Using the information from the valuation, the Trustee comes to an agreement with the Company on the level of contributions that need to be paid to help ensure that the Plan has enough funds to pay members' benefits now and in the future. As the Plan currently has a surplus, a recovery plan requiring additional shortfall contributions from the Company is not needed.

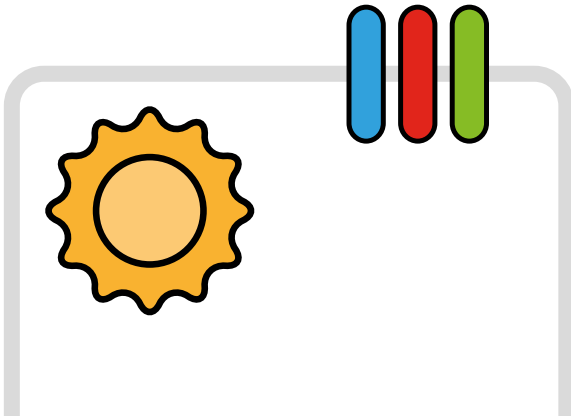
The importance of the Company's support

The success of the Plan relies on the support of the Company because:

- the Company pays the cost of running the Plan on an annual basis
- the funding level can fluctuate and if there is a shortfall, the Company will usually need to pay more money into the Plan
- the target funding level may not turn out to be enough so the Company will need to put more money into the Plan.

Other information we need to tell you

As required by law, we can confirm that there have not been any payments to the Company out of Plan funds since the last summary funding statement, nor has the Pensions Regulator needed to use any of its powers in relation to the funding of our Plan or the benefits provided by it.



What would happen if the Plan were to wind up?

In the unlikely event that the Plan were to wind up, members' benefits would be secured by buying insurance policies with an insurance company. As at 1 January 2018, there would have been a shortfall on this basis of £285 million (£247 million as at 1 January 2020). These are shortfalls rather than the surplus figures shown in the table on page 25, reflecting the fact that insurers must take a more cautious view of the future and need to make a profit. We've included this information because we're required to do so by law – it doesn't imply that the Company intends to wind up the Plan.

Is my pension protected?

The Pension Protection Fund (PPF) provides compensation to members whose pension scheme is being wound up with insufficient assets. Broadly, this would be 90% of benefits for members who have not yet retired and 100% for anyone who is over normal retirement age. Future increases to pensions are also at a lower level in the PPF.

As the Plan's assets at 1 January 2020 are likely to have covered the liabilities at higher levels than PPF compensation but were lower than the estimated cost of securing benefits with an insurer, the Plan would probably not have qualified for entry to the PPF had the Company become insolvent. In this case, members would have received more than PPF compensation. Further information and guidance are available on the PPF's website at: www.ppf.co.uk

Get in touch

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

Call us:

0800 122 3266

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

Email us:

cummins.helpdesk@premiercompanies.co.uk

Write to us:

Premier
PO Box 108
Blyth NE24 9DY

Plan website:

www.cumminsukpensions.co.uk

Don't forget to tell us!

Please remember to update your personal details online if you move house or any other details change (active members should use OneSource).

FSC Logo
to go here

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