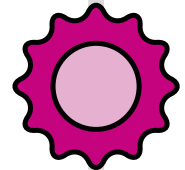
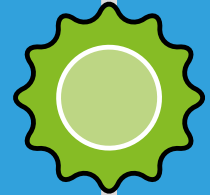


# Pension news

for defined benefit members  
October 2022



**Cummins UK  
Pension Plan**



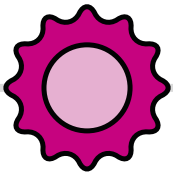
# Welcome

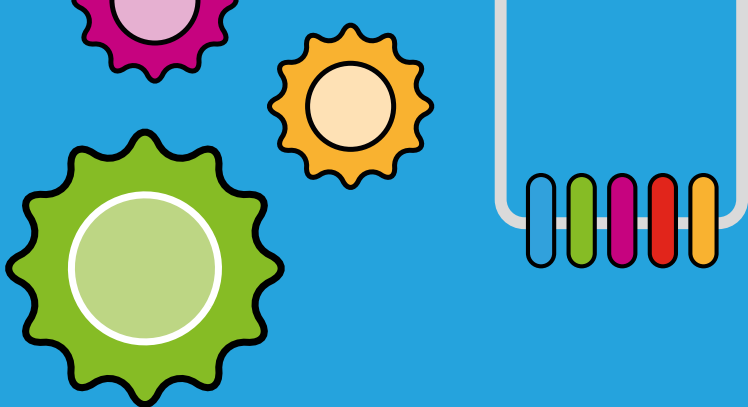
Welcome to the autumn issue of *Pension news*, the newsletter for defined benefit (DB) members of the Cummins UK Pension Plan.

As a result of recent global and economic events, the rising cost of living is adding pressure to household incomes. You may be worried about the impact this is having on the Plan and your pension. As you know, this is a defined benefit arrangement, which means the Trustee is responsible for paying your pension based on your salary and length of service, and it is not dependent on market performance. The Trustee has a carefully diversified investment strategy which helps to protect the Plan from the extreme impacts of market volatility.

The most recent actuarial valuation of the Plan looked at the position as at 1 January 2021, when the funding level was 104%. The actuary has since carried out an annual update looking at the position as at 1 January 2022, and you can read the results of this in the summary funding statement on page 12.

This year's nomination day on 1 July was once again a great success. Thank you to everyone, including our deferred members, who recently reviewed or updated their nominated beneficiaries on the Plan website via **Manage my pension**. You're all good for the next two years (unless your circumstances change).





An up-to-date nomination really does make all the difference to the Trustee when dealing with the benefits of members who have died. It allows us to pay any benefits that are due to your loved ones without unnecessary delays.

Finally, I hope you enjoy reading this issue of *Pension news* and find it useful. If you would like to know more about a particular topic in a future issue, please get in touch.

**Nichola Moore**  
Chair of the Trustee



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## Improving security online

Premier, the Plan administrator, is introducing two-factor authentication to improve security when logging in to your online account via **Manage my pension**. Please read the enclosed leaflet for full details about how to log in and keep your account secure.

# Plan noticeboard

## Did you hear about Bob?

If you heard about Bob's story this summer and still haven't reviewed your nominated beneficiaries, please make sure you log in to your account via **Manage my pension** at: [www.cumminsukpensions.co.uk](http://www.cumminsukpensions.co.uk).

If you've forgotten or mislaid your login details, please get in touch with Premier.



## Gateway2Retirement

If you're thinking about your choices at retirement, remember that Premier's Gateway2Retirement service is available to you. Offering guidance and financial advice about all your options, you can find out about:

- buying an annuity
- moving into pension drawdown
- taking cash.

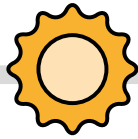
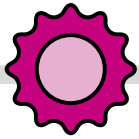
Go to the 'Gateway2Retirement' section of the Plan website: [www.cumminsukpensions.co.uk/planning-for-retirement/g2r/](http://www.cumminsukpensions.co.uk/planning-for-retirement/g2r/)

## Looking after your personal data

Making sure that your personal data is secure is of utmost importance to us. We've recently updated the Plan's privacy notice, and you can find it on the Plan website at: [www.cumminsukpensions.co.uk/privacy](http://www.cumminsukpensions.co.uk/privacy)

## New branding for Premier **isio.**

Premier, the Plan administrator, is now part of Isio. You'll usually receive communications from the Plan rather than directly from Premier. However, please note that from time to time, you may get communications from Premier which will carry the new Isio branding from 1 October 2022.



## In the pipeline

In last October's *Pension news*, we told you about a new requirement for larger pension schemes like ours to report on climate change and their investments. This includes the risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies in our changing world. Driven by the task force on climate-related financial disclosures (TCFD), there are detailed guidelines on the information that needs to be covered. We'll be starting work on our climate change report for the Plan very soon and look to publish this next year on the Plan website.

## Updating our Plan website

Next year, we'll be making some changes to the Plan website to bring you new functionality, better navigation and generally make it even easier to learn about your pension and how to make the most of your Plan membership.



# Running the Plan



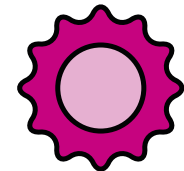
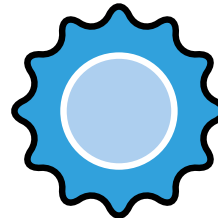
The Plan is looked after by a Trustee board which has 14 directors (listed below): seven appointed by the Company and seven who are nominated by the Plan's members.

Anthony Waller  
Bernadette Daley  
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)

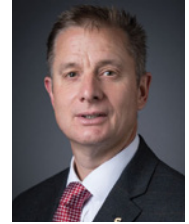
The Plan has three sub-committees which focus on communications, governance and investment.

- Communications sub-committee (CSC): provides clear, engaging pensions information to members.
- Governance sub-committee (GSC): ensures that the Trustee's processes comply with the Pensions Regulator's expectations, legal requirements and good business practice.
- Investment sub-committee (ISC): advises the Trustee on strategic investment, risk management and covenant issues. It reviews the providers we use to help us.



# Meet our new MND

In March 2022, following a selection process, we welcomed a new MND, Stuart Stubbings, to the Trustee board. Stuart is IT Director in DBU for Europe & Latin America and has worked at Cummins for over 35 years.



## Why did you want to become a Trustee?

It's been on my mind for the last five years or so, however my previous role involved a lot of travel, and I wouldn't have been able to commit to the Trustee meeting schedule. Now I have a role with less travel, so I applied. I'm interested in financial planning, and this is an opportunity to develop that into something tangible for myself and others in Cummins.

## What interests you about pensions?

Pensions are crucial to prosperity in our later years but seem quite complex to navigate. I'm keen to learn more about how pensions work and operate.

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

Helping members understand the importance of pension planning at an early age – care and attention on a few basic

decisions could have a big impact on your benefits when you're ready to take them.

## What was your dream job as a child?

I wanted to be a fighter pilot, but I recall being put off by the recruiting officer at the RAF careers office in Peterborough so didn't pursue it. Since then, I've been lucky enough to work at Cummins in many varied roles and travel the world, so I've still been able to fly – the only difference is that I've been sat in the back of the plane rather than flying it!

## What do you like to do in your spare time?

Outside work, I play football for fun in a group of 'lads & dads'; I have an interest in music, including a reasonable collection of electric guitars; and I'm in the process of restoring and maintaining an old Land Rover Defender 90 with my son.

# Pension matters

## Beware of pension scams

Pension savers continue to be targeted by scammers. Financial pressures caused by the pandemic and the rising cost of living mean savers may be more vulnerable to scammers offering early access to pension savings. It's important that you're aware of the danger of pension scams. This not only applies to your benefits in the Plan but also to any other pension benefits you may have. Watch out for:

- Cold calls – unexpected pension offers whether made online, on social media or over the phone are nearly always scams. These types of calls have now been banned, so if you do get one, hang up, don't reply to emails or texts, and don't follow links.
- Unregulated advisers – make sure you know who you're dealing with before changing your pension arrangements. Check the ScamSmart website or call 0800 111 6768 to see if the firm you're dealing with is authorised by the FCA to give advice on pension transfers.
- Limited time offers – you should never be rushed or feel pressured into making any decision about your pension.

Recent changes to the rules about pension transfers mean that additional checks need to be carried out by pension administrators, and this may take more time, so please make sure that you factor this into your retirement plans. Similarly, the new rules allow pension scheme trustees to block a transfer if the checks raise any red flags, and members will be referred to the government's MoneyHelper service for a Pension Wise appointment.

Even with these new requirements around pension transfers, combatting pension scams remains a team effort. If you're in any doubt, please double check before making a final decision. Don't let a scammer ruin your retirement. Go to the FCA's website for more information about pension scams and how to avoid them at:

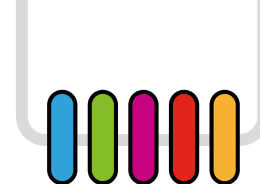
**[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)**

## Increase to minimum retirement age

The government is raising the minimum age at which you can access your pension benefits from 55 to 57 in April 2028. If you're planning to retire early and are currently aged 48 or under, you may need to adjust your plans.



# Accounts and amounts



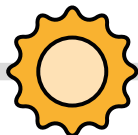
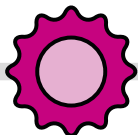
The year at a glance...

As at 31 December 2021, the Plan was worth **£1.8 billion**

The Plan paid benefits to members worth **£37.5 million**

## Financial highlights

	2021 £'000	2020 £'000
Plan value at the start of the year	1,722,597	1,530,952
Money in less money out	(8,230)	(8,656)
Change in market value	72,856	200,301
Plan value at the end of the year	1,787,223	1,722,597



# Accounts and amounts (continued)

Money in	2021 £'000	2020 £'000
Contributions	22,957	38,583
Transfers and other income	449	1,003
Investment income	14,077	6,998
<b>TOTAL</b>	<b>37,483</b>	<b>46,584</b>

Money out	2021 £'000	2020 £'000
Benefits paid to members	(33,603)	(45,327)
Payments to leavers	(3,905)	-
Transfers out	(5,390)	(7,170)
Administration expenses	(2,749)	(2,602)
Transfers to the DC Section	(66)	(141)
<b>TOTAL</b>	<b>(45,713)</b>	<b>(55,240)</b>

## Who's in the Plan?

Active members

2021: 566

2020: 568



Deferred members

2021: 1,260

2020: 1,334



Pensioners

2021: 4,397

2020: 4,475



Total members

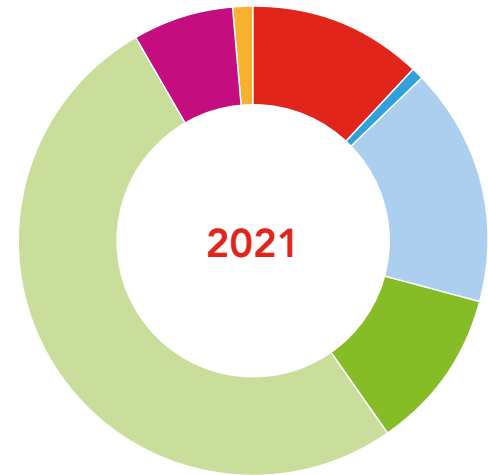
2021: 6,223

2020: 6,377

## Where are the assets invested?

The chart shows the allocation of the Plan's assets as at 31 December 2021.

	2021	2020
● Equities	12.1%	10.4%
● Real estate	0.9%	0.8%
● Private equity	16.3%	11.2%
● Fixed income	11.2%	12.9%
● Liability matching	51.6%	57.0%
● Alternatives	7.0%	6.8%
● Cash	1.2%	0.8%



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 Plan. It tells you about the longer-term outlook for the DB Section and the substantial financial support the Company provides.

## The latest position

A full valuation of the Plan is usually carried out every three years, with annual updates being completed in the intervening years. The valuation compares the assets that are held with the amount of money that it is expected will be needed to provide members' benefits. Any shortfall between the amount held and that which is needed is then met by the payment of extra contributions from the Company.

The table below shows the results from the most recent formal valuation of the Plan as at 1 January 2021 and the subsequent annual update as at 1 January 2022.

	Update 1 January 2022	Valuation 1 January 2021
Value of assets*	£1,776.2m	£1,713.2m
Amount needed to provide benefits (liabilities)	£1,619.9m	£1,650.2m
Surplus	£156.3m	£63.0m
<b>Funding level</b>	<b>110%</b>	<b>104%</b>

\*Not including additional voluntary contributions or DC Section assets.

## Changes since the previous statement

The valuation at 1 January 2021 showed the Plan had a surplus of £63 million and a funding level of 104%. The update at 1 January 2022 showed the surplus had increased to £156.3 million, giving a funding level of 110%.

Over the year, the main reasons for the improvement in the funding position are:

- better-than-expected investment returns
- a reduction in the value of the liabilities.

These factors were partially offset by an increase in the expectations of long-term inflation and an allowance for membership experience.

## How is my pension paid for?

The Company pays regular contributions into the Plan to meet the cost of pensions and other benefits that will become due in the future – for example, as and when people retire. Active members are also required to contribute to the cost of their benefits by making contributions directly from their pre-tax pay or via SMART (the salary sacrifice arrangement).



The Plan has both a DB Section and DC Section. Unlike the DC Section, members of the DB Section don't have individual accounts. Instead, the money paid into the Plan is held in a common fund which the Trustee manages on behalf of all the DB members.

## How do you work out how much the Plan needs?

The Trustee obtains regular formal valuations of the Plan to estimate the value of the benefits that members have earned up to the date of the valuation. Using this information, the Trustee comes to an agreement with the Company on the levels of contributions that need to be paid to help ensure that the Plan has enough funds available to pay the benefits promised to members when they are due.

# Summary funding statement (continued)



## The importance of the Company's support

One of the Trustee's main objectives is to have enough money in the Plan to pay pensions both now and in the future. However, the success of the Plan relies on the support of the Company because:

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

## Company contributions in respect of future accrual

It was agreed that the Company will make a payment of £65 million during February 2023 to cover the cost of future benefit accrual, ongoing running costs of the Plan and the cost of PPF levies over the period from January 2022 to December 2024. In addition, the Company will also pay

any contributions that are due in respect of members participating in SMART pensions and any life assurance premiums (paid directly to the insurer, rather than through the Plan).

The Company continued making contributions to cover the above costs in line with the 2018 valuation agreement up to 31 December 2021 (where future benefit accrual was equivalent to 53.6% of pensionable salaries).

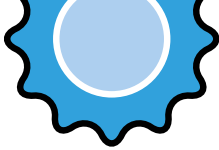
The contributions will be reviewed at the next full actuarial valuation, which must take place no later than 1 January 2024.

## Payments to the Company

In accordance with legal requirements, 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 used any of its powers in relation to the funding of the Plan or benefits provided by it.

## What would happen if the Plan was wound up?

Please note that we've included this information because we're required to do so by law – it shouldn't in any way be taken to imply that the Company is intending to wind up



the Plan. It's both the Trustee's and the Company's intention that the Plan should be continued on an ongoing basis, with pensions being paid in full to members as and when they reach retirement. In the unlikely event that the Plan was wound up, benefits would be secured by buying insurance policies with an insurance company.

### The solvency position

The valuation as at 1 January 2021 also looked at the position of the Plan if it had been wound up and the benefits secured by buying annuity policies with insurance companies. If this were to be the case, the estimated shortfall at 1 January 2021 was around £247 million. At 1 January 2022, the estimated shortfall had reduced to £56 million.

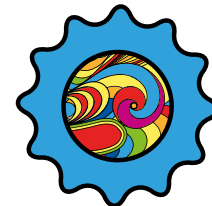
These are shortfalls rather than the surplus figures shown on page 12, reflecting the fact that insurers are obliged to take a more cautious view of the future and need to make a profit.

There's also a safety net that provides some level of compensation for members who are in the unfortunate position of being in a pension scheme that's being wound up with insufficient assets.

Very broadly, the safety net, which is known as the Pension Protection Fund (PPF), provides members who haven't yet retired with 90% of their expected benefits 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 are likely to have covered the Section 179 (PPF) liabilities as at 1 January 2021 but were less 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 at 1 January 2022, in which case members would have received more than the PPF compensation.

Further information and guidance are available at:  
[www.ppf.co.uk](http://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](mailto:cummins.helpdesk@premiercompanies.co.uk)

**Write to us:**

Premier

PO Box 108

Blyth NE24 9DY

**Plan website:**

[www.cumminsukpensions.co.uk](http://www.cumminsukpensions.co.uk)

## Updating your details

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

**FSC Logo  
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