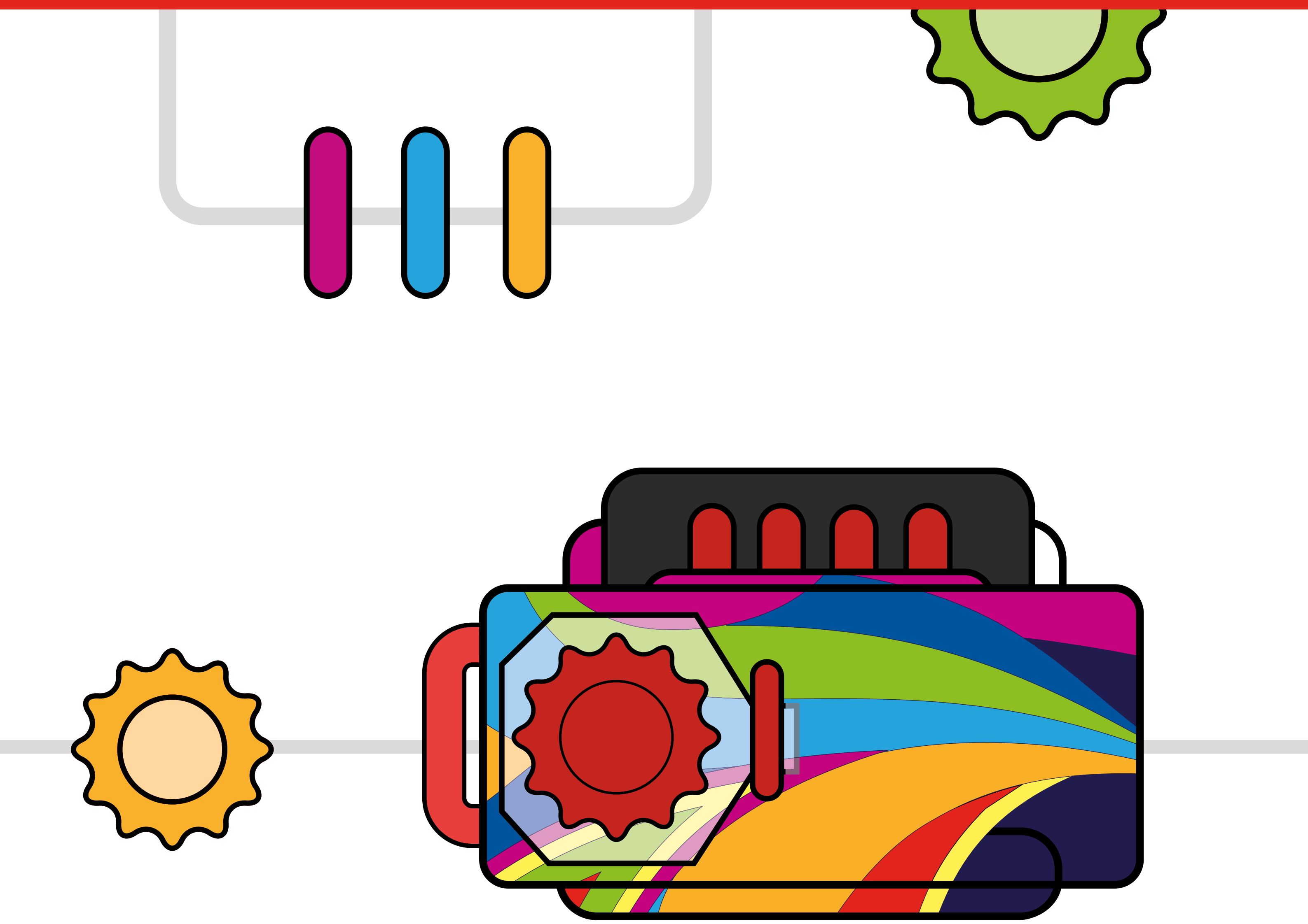
Cummins UK Pension Plan

Member guide

Defined contribution (DC) Section



Updated March 2023


Cummins

Welcome to your future

Congratulations on joining the Cummins UK Pension Plan. It's never been more important to save for the future, and you've already made a great start by becoming a member of the Plan. Together, you and Cummins will build up a pot of retirement savings so that you can look forward to your future, helping to make the money you save today last a lifetime.

This is your member guide which explains everything you need to know about how the Plan works and your retirement savings. You can manage your personal account online via the Plan website, **www.cumminsukpensions.co.uk**. Premier, the Plan administrator, will send your personal login and registration details shortly after your membership begins.

If you have any questions about the Plan that aren't covered in this guide, please get in touch with Premier, using the contact details on the back page.

Do you have a protected lifetime allowance (LTA)?

If you have a protected LTA, please contact the CBS pensions team immediately.
Email: **euro.pensions@cummins.com**

In this guide

Plan summary

Saving for your future

Your Cummins pension is one of your most valuable employee benefits, aside from your salary. Therefore, it's important to make sure you know how to get the most out of it.

The DC Section of the Plan is a defined contribution pension arrangement. This means while you're working for Cummins, you and the Company pay regular contributions into a personal account in your name. This is called your pension fund.

The money in your pension fund is invested so that it can grow. When you come to retire, you can use your pension fund to provide a retirement income in the way that suits you best.

The amount of pension you'll get when you retire depends on:

- how much has been paid into your pension fund in contributions
- how your investments have performed
- your choices at retirement.

Start today!

Saving for a secure retirement isn't something you should put off. Even if it feels a long way off, the sooner you start saving, the better.

People are expected to live longer than ever before, and the State pension is only likely to provide a very basic income. To achieve the level of comfort in retirement that most of us expect, you'll need to top up your income with additional pension savings.

Why should I be in the pension Plan?

Although being a member of the Plan isn't compulsory, and you can opt out at any time, please think carefully before choosing to leave the Plan. As a member of the Plan, you benefit from:

- valuable pension contributions from the Company worth up to 9% of your salary
- tax-free pension contributions: you don't have to pay income tax on the contributions you pay
- a higher level of life assurance: Plan members are covered for five times their annual salary, while non-members are only covered for one year's salary.

What do I get from the Plan?

The money you save into your pension fund belongs to you, including the contributions from Cummins. Your Plan membership means that:

- your retirement income is based on the value of your pension fund
- you can use your pension fund to provide a retirement income in the way that suits you best
- you can take up to 25% of your pension fund as a tax-free cash lump sum (up to £268,275)
- you can retire early from age 55 (please note this may increase to age 57 from 2028)
- you may be able to take your benefits early if you need to stop work because of illness
- your beneficiaries receive a lump sum if you die before you start taking your benefits.

Joining the Plan

All new employees are automatically enrolled into the Plan from their hire date. If you've opted out and want to rejoin, you can do so by visiting the Plan website and selecting **Manage my pension** to log in to your account.

Paying contributions

On joining the Plan

You and Cummins pay monthly contributions based on a percentage of your pensionable pay. When you're enrolled into the Plan, you automatically pay contributions of 7%, which means you benefit from the maximum Company contribution of 9% straightaway.

You pay	Cummins pays	Total
7%	9%	16%

Contributions

You don't have to pay 7% if you don't want to, but the minimum you must contribute is 3% of your pensionable pay and Cummins will pay 5%. These basic contributions can't be changed.

If you'd like to save more than the basic amount, you can choose to pay saver contributions up to a maximum of 4% of your pensionable pay. Saver contributions can be changed and are matched by Cummins. You can increase or reduce your saver contributions and the Company's saver contributions will change accordingly.

	You pay	Cummins pays	Total paid into your account
Basic contributions	3%	5%	8%
	plus		
Saver contributions	+1%	+1%	10%
	+2%	+2%	12%
	+3%	+3%	14%
	+4%	+4%	16%

Additional voluntary contributions

If you'd like to save more than the maximum saver contributions, you can pay additional voluntary contributions (AVCs). These are invested in the same way as your other contributions. However, unlike basic and saver contributions, the Company doesn't match any AVCs you make.

Please note that AVCs are based on your gross pay, specifically your earnings before tax and deductions for your saver contributions.

How can I change my contributions?

It's really easy to change your contribution rate. Simply log in to your account via the Plan website. If you change your contributions before the 15th of the month, this will take effect from that current month.

Paying the SMART way

Saving into the Plan costs you less than you think. When you're enrolled into the Plan, you automatically pay your contributions using SMART. This is a salary sacrifice arrangement which stands for 'save money and reduce tax'. For a basic-rate taxpayer, the cost of contributing £1 to your pension comes down to 68p.

You can't participate in SMART if the salary sacrifice would result in reducing your salary to below the National Minimum Wage (or National Living Wage, if you're over 23). It's also not possible to sacrifice statutory pay, for example on maternity, paternity, adoption or sick leave.

If you have any questions about SMART contributions, please contact Premier.

Can I transfer other pensions into the Plan?

If you've got another pension from a former employer or other pension arrangement, you can choose to transfer it into the Plan on a DC basis.

Also, if you have multiple records within the Plan because of different periods of service, you can consolidate these into one account. To find out more about transfers or consolidating your records, please contact Premier.

Paying contributions continued

Example

Alex earns £25,000 and contributes 7%, which is £145.83 a month. However, with tax relief and National Insurance savings, the amount Alex actually pays is just £99.16.

Here's how Alex's monthly contributions stack up:

Alex pays (contributions at 7%)	£99.16
Tax and National Insurance savings	£46.67
Cummins pays (contributions at 9%)	£187.50
Total paid into Alex's pension fund	**£333.33**

By getting the maximum contributions from Cummins, Alex saves a total of £333.33 but only pays £99.16 each month.

Are there any limits on how much I can contribute?
Yes, the government restricts the amount of tax relief on pension savings with the annual allowance (AA).

Annual allowance
The AA is the tax-free amount of money you can put into a pension scheme each year. The standard AA is currently £60,000, including employer's contributions. However, if you have a high income of £260,000 or more, the tapered annual allowance may apply to you, and your AA may be reduced as low as £10,000.

You can find out more about the AA at
www.gov.uk/tax-on-your-private-pension

Investing your money

Putting your money to work

Your investment choices have a big impact on how much your pension fund will be worth when you retire – and therefore how much pension income you can expect.

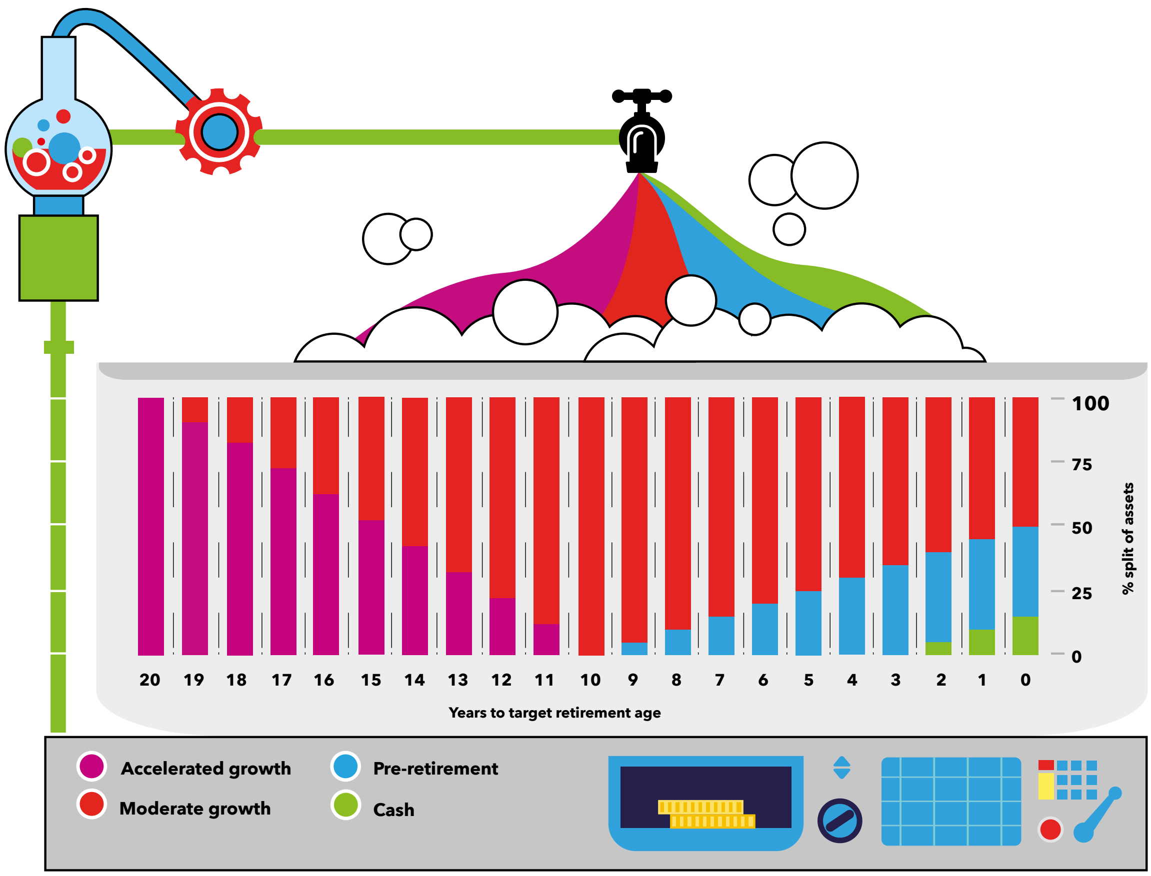
The lifestyle option

When you join the Plan, your money is automatically invested in the lifestyle continued growth option. This is the default investment strategy which is used by the majority of members.

When you're within 10 years of your target retirement age, you can then choose a specific lifestyle option to invest in that targets the way you want to take your money at retirement: annuity, income drawdown or cash. If you don't make a decision, your pension fund will remain invested in the default lifestyle continued growth option, which targets income drawdown and aims to put you in the right position at retirement so that you can make a choice that works for you.

What does lifestyling do?

When you're a long way from retirement, your pension fund is invested in funds which aim to maximise investment growth. Then, in the years as you get closer to your target retirement age, your money is automatically and gradually switched from growth investments (equities, also called shares) into less volatile investments like bonds and cash. This helps protect the value of your pension fund from any sudden changes in market conditions when you're close to retirement.



Your target retirement age
It's really important to choose a target retirement age if you're using the lifestyle option, because the switching process begins based on when you plan to retire. If you haven't selected a target retirement age, we'll assume that it's the same as your State pension age. You can change your target retirement age at any time.

If you've left your target retirement age at State pension age, but you're actually hoping to retire earlier, it could mean that your pension fund is still invested in a growth fund too close to your retirement. If there's a sudden downturn in the financial markets, your retirement savings might not have enough time to recover.

Similarly, if you've chosen age 55, but find you want to continue working a bit longer, your investments will have started switching into less volatile funds too soon and you might miss out on some investment growth.

- Go to the pensions website and log in via **Manage my pension**
- Select **View account** from the drop-down list
- Scroll down to **Select the age you plan to retire at** and click **edit**
- Choose a target retirement age and **submit**.

Investing your money continued

The self-select option

As an alternative to the lifestyle option, you may prefer to make your own investment choices using the range of 12 self-select funds. These are suitable if you have the time and knowledge to manage your own investments. You can make changes to your investments at any time by logging in to your personal account via the Plan website.

You can read more about all your investment options in our investment guide or watch the video on the Plan website to understand more about investment risk.

How do I know how much is in my pension fund?

Every year, we'll send you a benefit statement. This will show:

- the value of your pension fund
- the amount that's been paid into your account during the year by you and by Cummins
- the investment returns during the year
- an illustration of how much pension you could expect if you buy an annuity at retirement.

If you leave the Company, we'll continue to send you a benefit statement every year until you either transfer your benefits to another pension arrangement or you retire and start taking your benefits. Please make sure you remember to tell Premier if you change your address after leaving Cummins.

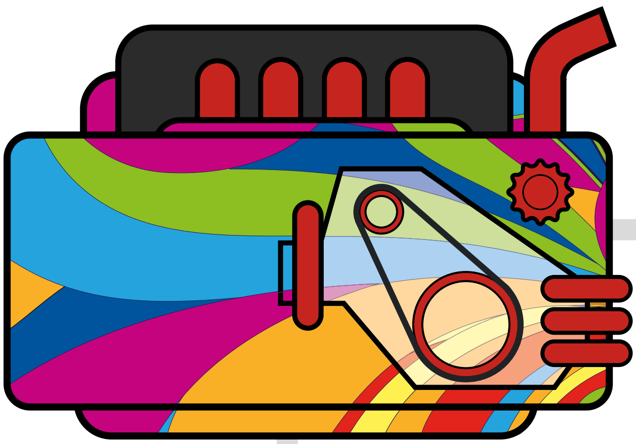
Go online

Log in to your account via the Plan website to find the most up-to-date fund balance.

Can I withdraw money from my pension fund?

No, you can't take money from your account until you reach the minimum pension age of 55 (rising to age 57 in 2028), unless you're retiring because of ill health.

However, you can transfer your pension fund to another registered pension arrangement (for example, a new employer's pension scheme), if you wish.



Your choices at retirement

The Plan's default target retirement age is the same as your State pension age (66, 67, or 68), although you can decide to take your benefits at any age between age 55 (rising to age 57 in 2028) and age 70. There's lots of flexibility in how you take your savings.

When you retire, you can take up to 25% of your pension fund as a tax-free cash lump sum (up to £268,275), if you wish to. You can then use the remainder to provide a taxable retirement income in the way that best suits your own circumstances.

Use income drawdown
This is where you keep your money invested and take cash sums as and when you need to. You'd need to transfer your pension fund out of the Plan to an income drawdown arrangement.

You'll need to plan carefully to make sure you don't run out of money in retirement, but any money that is left in your drawdown arrangement after your death can be passed on to your beneficiaries.

Buy an annuity
This is a type of insurance policy that guarantees you an income for the rest of your life.

You can shop around for the best deal, like you would with your car or home insurance. You can choose different types of annuity – do you want one that's just for you or one that provides income for your spouse after your death? Do you want a fixed annuity or one that increases with inflation?

Take it all as cash
You can take the whole value of your pension fund as a single cash lump sum, subject to income tax.

If you have other sources of retirement income, a cash lump sum may be appropriate. Do you have large purchases to pay for or debts to pay off? Don't forget that only 25% (up to £268,275) is tax free and the rest is taxed as income. When added to any other income you have for the year, you may find you're pushed into a higher tax band.

A combination of these options
You can mix and match your choices to suit your personal circumstances.

You don't have to choose just one of these. You may decide to take some cash on retirement and transfer the rest to an income drawdown arrangement or buy an annuity. Alternatively, you might want the security of a regular income from an annuity but not immediately on retirement, and you'd like to time the purchase of an annuity later into your retirement.

When things change

Leaving the Plan

If you leave Cummins, no further contributions will be paid into your pension fund.

If you're under age 55, your pension fund will remain invested, and you'll become a deferred member of the Plan until you either:

- retire and draw your benefits
- transfer your benefits out of the Plan to another pension arrangement.

If you leave the Plan, you might be able to transfer your pension fund to your new employer's pension scheme or to another personal pension you have.

Opting out

If you've been automatically enrolled into the Plan and you decide within 30 days of joining that you'd like to opt out, any contributions you've paid will be refunded to you.

If you opt out after 30 days of joining, you'll stop paying contributions, but any contributions you've already paid won't be refunded. They'll remain invested in the Plan for you until you either transfer them to an alternative pension arrangement or retire. If you opt out, life cover reduces to one year's basic pay rather than five times your pay.

Retirement because of ill health

If you become permanently unfit for work due to illness, you may be able to retire and draw your benefits before age 55 with the agreement of the Trustees.

Death benefits

In the event of your death, the following benefits are payable:

- **If you die in service as a Plan member**
  Your beneficiaries will receive a tax-free lump sum of five times your annual basic pay, plus the value of your pension fund.
- **If you die after you leave but before taking your benefits**
  Your beneficiaries will receive the value of your pension fund as a lump sum.
- **If you die in retirement**
  The options you have after you've taken your benefits from the Plan depend on the choices you make at retirement. When you're making decisions about what to do with your savings, it's worth checking what happens when you die.

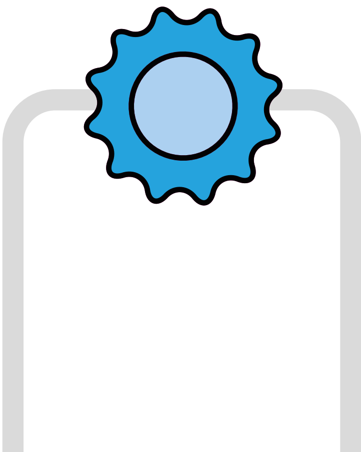
Make your wishes known
The Trustees determine who receives any benefits that are due when you die, but they take your wishes into account. This means that the benefit doesn't form part of your estate and so is not subject to inheritance tax.

Remember to complete a nomination form by logging in to your account via the Plan website to let the Trustee know who you'd like to receive any lump sum benefit. You can update your beneficiaries at any time.

What about maternity/adoption leave?

You can continue to pay contributions while on the Company's enhanced maternity/adoption leave, which includes six months on full pay. After six months, you'll only receive statutory maternity pay and the Company will pay both the employee and employer contributions on your behalf, based on your pre-maternity/adoption leave pay.

If you take more than 12 months maternity/adoption leave, your contributions will cease.



Am I entitled to other family-related leave?

Most employees have certain family leave rights. Both you and your employer will continue to pay contributions during this period, based on the pay you actually receive.

You can take parental leave, whether you're male or female, if you've been employed by the Company for at least one year.

Parental leave is unpaid, so neither you nor your employer will pay any pension contributions.

For further details of how family leave affects your DC pension, please contact the CBS pensions team.
Email: **euro.pensions@cummins.com**

Useful information

Neither the Trustee nor the Company can give you financial advice about your pension. If you'd like further information and guidance, you may find the following organisations useful:

MoneyHelper
This is the government's financial information and guidance service. It's the easy way to get free, trusted help for your money and pension choices.

Offering free, impartial help that's quick to find and easy to use, MoneyHelper is available online and over the phone and provides clear money and pensions guidance, as well as pointers to trusted services if you need more support. Go to **www.moneyhelper.org.uk**

www.unbaised.co.uk or **www.vouchedfor.co.uk**
To find an independent financial adviser in your local area.

What if I have a complaint?
If you have any issues that can't be resolved by Premier, the Plan has an internal dispute resolution procedure (IDRP) that you can follow. Please ask Premier (using the contact information on the back page) for more details.

If you're not satisfied with the outcome of the IDRP, you can contact the Pensions Ombudsman at **www.pensions-ombudsman.org.uk**

The Pensions Regulator
Protecting members of workplace pension schemes, for more details go to **www.thepensionsregulator.gov.uk**

Financial advice on your retirement options
When you're thinking about your choices at retirement, Premier's Gateway2Retirement service is available to members.

It offers guidance and financial advice about all your options including buying an annuity, moving into pension drawdown or taking cash. Cummins will meet the first £250 of advice costs.

Call **0203 372 2114** or email **cumminsadvice@premiercompanies.co.uk**

5 things to do today

As a new joiner to the Plan, please make sure you complete the following:

- [ ] **Register for online access**
  View and keep track of your personal account via **Manage my pension** on the Plan website. Premier, the Plan's administrator, will send you initial registration details. If you haven't received these, please contact us using the details on the back page.

- [ ] **Complete a nomination form**
  Make sure you tell the Trustees who you would like them to pay your benefits to in the event of your death. As an active member, this relates to your pension savings as well as life assurance cover of five times your annual salary.

- [ ] **Check your contribution rate**
  If you pay saver contributions, you can maximise the contributions from Cummins. You can change your contributions online at any time by logging in to your account via **Manage my pension** on the Plan website.

- [ ] **Select your target retirement age**
  Even if retirement is a long way off, please make sure you choose a target retirement age. This is important if you are using the Plan's automatic lifestyle investment strategy, where your investments are managed for you.

- [ ] **Choose how to invest your contributions**
  Whether you want to be 'hands on' with your investments or not worry about day-to-day investment decisions, there's an investment option in the Plan for you. Use the Plan's default lifestyle investment option, which manages your investments automatically or pick your own investments from the range of self-select funds.

You can manage your retirement savings in the Plan and make changes at any time by logging in to your account via **Manage my pension** on the Plan website.

Get in touch

If you have any questions about the Plan or your benefits, please contact Premier, the Plan administrator.

Call:
0800 122 3266
+44 203 3722 113 (from overseas)

Email:
cummins.helpdesk@premiercompanies.co.uk

Write to:
Cummins UK Pension Plan
Premier Pensions
PO Box 108
Blyth NE24 9DY

Plan website:
www.cumminsukpensions.co.uk

The benefits outlined in this guide are governed by the Plan's trust deed and rules. If there is any discrepancy between this guide and the trust deed and rules, the trust deed and rules will prevail.