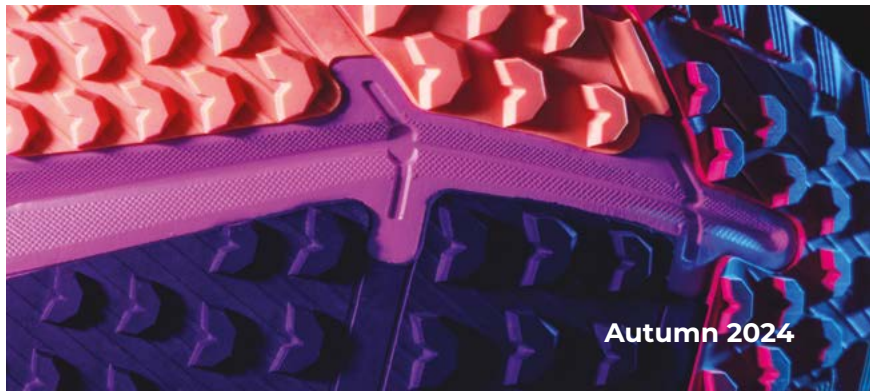




Cummins UK Pension Plan

Pension news

For defined benefit (DB) members



Autumn 2024

Welcome

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

The latest actuarial valuation of the Plan, looking at the position as at 1 January 2024, has been completed. You can read the results in the summary funding statement on page 10. This follows the financial highlights from the Plan's annual report and accounts on page 8.

During the last 12 months, we've said farewell to some of our Trustee directors who have stepped down from the board. We thank Emily Chapman, Gloria Griesinger, James Guilfoyle and Anthony Waller for their hard work and service to the Plan on behalf of our members.

We welcome Steve Seslar as a Company-appointed director and, following the selection process that we held in April for a member-nominated director (MND), we welcome Connor Redden to the board.

I hope you enjoy reading this issue of *Pension news* and find it useful. If there's a particular subject that you'd like to know more about in a future issue, please get in touch.

Nichola Moore

Chair of the Trustee

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Plan noticeboard

Value for money and the Plan

Every year, the Trustee carries out a value-for-money assessment of the Plan. This looks at the charges applied by the fund managers to members' Plan savings, along with any transaction costs, to check that these represent good value. If you've got AVC savings, which are a DC arrangement, this assessment covers the AVC funds. The report found that they're competitive with DC pension schemes of a similar size. It's important to recognise that value for money doesn't necessarily mean the lowest fee, and we've also considered the overall quality of the service that members receive as part of this assessment. Overall, it found that members are receiving very good value for money.

You can find the Plan's value-for-money assessment in the Chair's governance statement on the [Plan website](#). 

Our latest Climate change report

As the Plan's Trustee, we view climate change as a significant factor affecting our investments and therefore your savings.

The Plan's 2023 Climate change report outlines our activities over 2023, such as reviewing our governance on climate-related matters, comparing the effects of various climate scenarios on our members' assets, reviewing our investment managers' approaches to managing climate-related risks and opportunities and analysing our funds' climate metrics to help us assess their management of climate-related risks and opportunities. The Trustee and its investment consultant, LCP, also continue to monitor the investment managers' progress on climate-related matters and engagement.

If you'd like to know more about our approach to climate-related investment matters, you can read the full Climate change report on the [Plan website](#). 

Check your AVC benefit statement

If you have additional voluntary contributions (AVCs) in the Plan, we sent you your annual benefit statement in September. Please remember to take a look at this document because it shows the progress of your AVC account, which is a defined contribution (DC) method of saving for retirement. Unlike your defined benefit (DB) pension in the Plan, which depends on your salary and length of service, the amount you have in your AVC account depends on the amount you contribute and how your investments perform.

- ✓ If you currently work for Cummins, you can continue to pay AVCs whenever you like – either regularly or as a one-off payment, and this is a tax-efficient way to boost your pension savings.
- ✓ If you no longer work for Cummins, you can't pay further AVCs into the Plan, but you can still review and make changes to your investments, if you wish to. It's a good idea to review these from time to time, as well as check your target retirement age, to make sure that you're still on track with your plans for retirement.

Log in to Manage my pension

Remember that you can keep up to date with your Plan benefits by logging in to your own account via **Manage my pension** on the Plan website:

www.cumminsukpensions.co.uk ✨

You can use it to:

- see how much is in your AVC fund
- review and change your AVC investments and target retirement age
- update/reconfirm your nominated beneficiaries every two years
- find out about your retirement options.



Pension matters

Pensions dashboards update

The pensions dashboards project is the government-backed initiative to allow people to access information about their pensions across different schemes and with different providers all in one place, including the State pension. It aims to increase people's awareness and understanding of their pensions, helping them plan for retirement and make informed decisions, as well as find any pension schemes they may have lost touch with.


Schemes are being invited to join the dashboards gradually, according to their size and type. We're currently working with Isio, the Plan administrator, to make sure that the Plan is ready for our connection date, which is expected to be June 2025. The Pensions Regulator hasn't yet announced when the pensions dashboards will be available to the public, but it's not expected to be until 2026/27.



Do you have National Insurance gaps?

HMRC has announced that taxpayers now have until April 2025 to fill in gaps in their National Insurance record so they can get the full State pension – a boost that will be particularly welcomed by individuals who took time out to raise a family, carers and those who've worked abroad.



This is the second deadline extension – it was previously changed from 5 April to 31 July 2023 – and follows reports that government helplines had been completely overwhelmed by demand, preventing callers from being able to get the necessary advice. In addition to extending the deadline, the cost of paying voluntary NI contributions will remain frozen until 5 April 2025. You can find out more at www.gov.uk/voluntary-national-insurance-contributions 

Stay alert for scammers

Pension scams come in many shapes and sizes, but the result is the same – you could lose your life savings. Action Fraud reported in 2021 that, on average, victims of pension scams each lose over £50,000; while the Financial Conduct Authority and the Pensions Regulator now put this figure at £75,000.

Unfortunately, pension scams are getting ever more sophisticated. The use of artificial intelligence (AI) by fraudsters is making scams more convincing and harder to spot. While the methods can vary, the purpose is always to obtain personal information and money.

Examples of AI scams include:



deepfakes (a video where a person is digitally manipulated to look like someone else)



voice cloning (where victims are convinced they're having a genuine phone conversation with a person)




chatbot phishing (with text that replicates the tone and coherence of legitimate messages).

Look out for the small details on videos, particularly in people's faces. Note any inconsistencies and discrepancies and pay attention to tone of voice, as AI scams usually lack emotion.

You can find more information about spotting pension scams and fraud at:

fca.org.uk/scamsmart 

moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam 

stopthinkfraud.campaign.gov.uk 

A reminder about changes to the normal minimum pension age from April 2028

The Plan's normal retirement age is 65*. If you're thinking of retiring earlier than this, please note that the government is raising the normal minimum pension age and this may affect your plans. From April 2028, the earliest you can access your pension is going up from age 55 to 57, unless you're in serious ill health or have a lower protected minimum pension age. Please contact Isio, the Plan administrator, if you think your retirement plans may be impacted by the rise in the normal minimum pension age.

*this may differ for some sections of the Plan.



Accounts and amounts

The year at a glance...

As at 31 December 2023, the Plan was worth **£1 billion**

The Plan paid benefits to members worth **£48.4 million**

Financial highlights

	2023	2022
	£'000	£'000
Plan value at the start of the year	1,045,505	1,787,223
Money in less money out	44,683	(28,709)
Change in market value	(80,121)	(713,009)
Plan value at the end of the year	1,010,067	1,045,505

Who's in the Plan?

	2023	2022
Active members	448	548
Deferred members	1,136	1,179
Pensioners	4,323	4,342
Total members	5,907	6,069

Money in

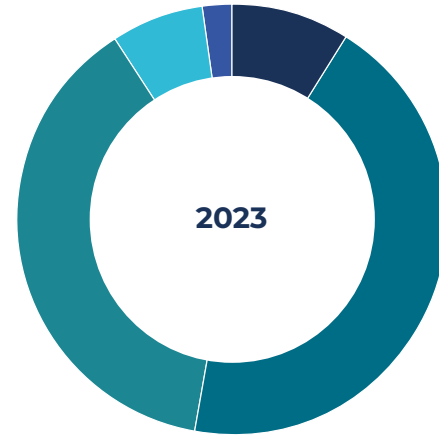
	2023 £'000	2022 £'000
Contributions	68,822	3,666
Transfers and other income	568	466
Investment income	28,740	16,535
Total	98,130	20,667

Money out

	2023 £'000	2022 £'000
Benefits paid to members	(37,746)	(35,516)
Payments to leavers	(10,623)	(6,081)
Transfers out	(1,102)	(5,316)
Administration expenses	(3,753)	(2,851)
Transfers with the DC Section	(223)	388
Total	(53,447)	(49,376)

Where are the assets invested?

The chart shows the allocation of the Plan's assets as at 31 December 2023.



	2023	2022
Private equity	9.0%	31.4%
Fixed income	44.0%	14.5%
Liability matching	38.0%	48.0%
Alternatives	7.0%	4.4%
Cash	2.0%	1.8%

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.

Actuarial valuation as at 1 January 2024

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 value of the Plan's assets with the amount of money that's expected to 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 shows the results of the most recent formal valuation of the Plan as at 1 January 2024 and the previous valuation as at 1 January 2021.

	Valuation 1 January 2024	Valuation 1 January 2021
Value of assets*	£959.3m	£1,713.2m
Amount needed to provide benefits (liabilities)	£921.2m	£1,650.2m
Surplus	£38.1m	£63.0m
Funding level	104%	104%

*Excludes additional voluntary contributions and DC Section assets.

Changes since the previous valuation

The Plan's assets and liabilities both reduced significantly over the three-year period since the 2021 valuation, largely due to the rise in yields on government bonds. The fall in liabilities was similar to the fall in Plan assets, so the funding level at the 2024 valuation has remained stable.

The liabilities also reflect the high levels of inflation experienced over the last few years; however, this was offset by membership changes and a reduction in the assumed future rate of increase in life expectancy following the Covid-19 pandemic.

Last year's statement showed the Plan had a surplus, with a funding level of 103%. There has been a 1% increase over the year to 1 January 2024 due to a greater reduction in the Plan liabilities compared with the reduction in the Plan's assets. The significant rises in government bond yields and high inflation experienced in 2021 and 2022 mean that changes in market conditions did not have as much of an impact on assets or liabilities over 2023.

Shortfall contributions

As there was no shortfall at the valuation date, shortfall contributions from the Company are not currently required.



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.

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's 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

The Company will pay contributions to the Plan from 1 January 2025 onwards to cover the cost of future benefit accrual, ongoing running costs of the Plan and the cost of PPF levies. These are in addition to amounts that the Company is already paying, which include any contributions due in respect of members participating in SMART pensions and life assurance premiums. The contributions will be reviewed at the next full actuarial valuation, which must take place no later than 1 January 2027.

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 at 1 January 2024 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 that date was around £67 million. This shortfall reflects 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 PPF liabilities as at 1 January 2024 but were less than the estimated cost of securing benefits with an insurer, the Plan would probably not have qualified for entry into the PPF had the Company become insolvent at 1 January 2024, in which case members would have received more than the PPF level of benefits. Further information and guidance are available at www.ppf.co.uk



Useful links

Feeling puzzled about pensions? There's lots to know so if you're looking for more information and guidance, the following organisations have useful websites.



Guidance about money and pensions

MoneyHelper is the government's free financial information and guidance service, offering trusted help for your money and pension choices. With clear and impartial help that's easy to find and use, MoneyHelper also provides links to trusted services if you need more support.

Call **0800 011 3797** or visit **www.moneyhelper.org.uk** 



Find out about your 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. You can check your State pension age at **www.gov.uk/state-pension-age** and get a forecast

at **www.gov.uk/check-state-pension** 




Need a financial adviser?

These websites are useful if you're looking to find an authorised 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 (FCA) 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** 

Running the Plan

The Plan is looked after by a Trustee board.

Your current Trustee directors

Connor Redden*

Ian Smith*

James Guyett*

Lisa Thornton

Martin Bruniges*

Natalie Morton*

Nichola Moore, Chair

Paul Bennett

Stephen Coughlan

Steve Seslar

Stuart Stubbings*

*member-nominated directors (MNDs)

Sub-committees

The Trustee has four sub-committees focusing on the key areas of communications, governance, discretions and investment.

- Communications sub-committee (CSC): works to provide clear, engaging pensions information to members.
- Discretions sub-committee (DSC): reviews and decides, on behalf of the Trustee, how to pay death benefits from the Plan in accordance with the Plan rules.
- Governance sub-committee (GSC): ensures that the Trustee's processes and providers comply with the Pensions Regulator's expectations, legal requirements and good business practice.
- Investment sub-committee (ISC): makes recommendations to the Trustee on strategic investment issues and reviews the providers we use to help us with this.

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.cumminsupensions.co.uk

What's new with you?



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You can also read it online on the **Plan website**.