Autumn 2023

Cummins UK Pension Plan

Pension news

For pensioner members

Welcome

Welcome to the autumn issue of *Pension news*, the newsletter for pensioner members of the Cummins UK Pension Plan.

Our new Plan website is about to be launched. It includes everything you need to know about the Plan and your pension. As well as a great new design, there's a dedicated section for pensioner members in the DB Section with useful information for a successful retirement. Take a look at **www.cumminsukpensions.co.uk**

In our Wellbeing matters section on page 6, we have an article looking at scams and doorstep crime. This is a high-risk area for older people in the UK with more than half of people aged over 65 being targeted. It includes an overview of the types of scams and what to look out for.

Finally, the Plan actuary has provided an annual funding update looking at the Plan's position as at 1 January 2023, which you can read in the summary funding statement on page 12. This follows an overview of the Plan's finances on page 9.

I hope you enjoy reading this issue of *Pension news* and find it useful. If there are any topics you'd like to know more about in a future issue, please get in touch using the contact details on the back page.

Nichola Moore
Chair of the Trustee

In this issue

Plan noticeboard

Premier becomes Isio

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

From 1 October 2023, Premier became known as Isio. Nothing has changed in terms of the administration team that look after the Plan, and you'll continue to receive the same levels of service that you're used to. The change is simply to the name of the administrator and their branding.

We've updated the contact details shown on the back page of this newsletter to reflect the new name. Aside from this, it's business as usual.

Pension pay dates for 2024

Tuesday 30 January	Tuesday 30 July
Wednesday 28 February	Thursday 29 August
Thursday 28 March	Friday 27 September
Monday 29 April	Wednesday 30 October
Thursday 30 May	Thursday 28 November
Thursday 27 June	Monday 30 December

Cyber risk and resilience

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

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

We are, however, thankful to report that no other Plan members have been affected, as the historic data held by Capita following the transfer of administration services to Premier was limited to this specific group of pensioners.

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

TCFD report published

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

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

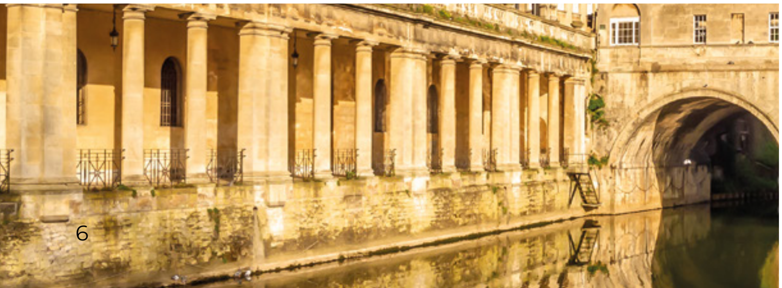
Wellbeing matters

Doorstep crime and scams are on the increase, accounting for between £5 billion and £10 billion a year. Unfortunately, over half of people over the age of 65 have been targeted by fraudsters and doorstep criminals, and yet these crimes go massively under-reported because victims are embarrassed and have been made to feel foolish – which is what the criminals rely on.

While the methods may vary, the purpose is always to get personal information or bank details and money. The four most common approaches are:

- **Postal scams** which include lottery, clairvoyant, catalogue and inheritance scams.
- **Phone scams** where you receive a call or text that uses a small amount of your personal information to trick you into revealing a lot more.
- **Online scams** which include ‘phishing’ (to collect your personal data), ‘pharming’ (directing users to fake websites that look official), romance scams via social media, and impersonation of UK officials such as HMRC regarding tax rebates.
- **Doorstep crimes** which include distraction burglary, bogus callers or officials, high-pressure doorstep selling, bogus property repairers and rogue traders.

Anyone can be targeted by scammers, but they prey on some of our society’s most vulnerable people, who may be elderly, isolated or recently widowed.



77% of victims are over the age of 70

57% live alone

41% report feeling lonely

Doorstep crimes by rogue traders usually relate to things like gardening and tree cutting, roofing or guttering work, paving and tarmacking, jet washing or general building works. The rogue trader is always helpful, friendly and charming and often begins with a story about the neighbours being upset by an overhanging tree or a broken tile or fence. Once victims have agreed to the work, this quickly leads to intimidation and aggressive behaviour, deposits being paid and then workers disappearing, work not being done, damage to property to create further work, and overcharging.

It's not uncommon for scammers to accompany victims to the cashpoint or the bank to withdraw funds, sometimes even pretending to be a relative. Scammers also share information about vulnerable victims, which means that at a later date, victims may again be targeted by a different scammer.

Protect yourself from scams and doorstep crime

- NEVER share your personal details or bank information
- just say NO at the door
- NEVER agree to pay money
- watch out for unsolicited approaches whether in person, over the phone or online
- beware of upfront payments

For advice or to report suspicious activity, call Citizens Advice Consumer Helpline on 0808 223 1133.

For information about staying safe online, go to **https://www.ageuk.org.uk/information-advice/work-learning/technology-internet/internet-security/**

Running the Plan

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

Your current Trustee directors

Anthony Waller
Emily Chapman*
Gloria Griesinger
Ian Smith*
James Guilfoyle
James Guyett*
Lisa Thornton
Martin Bruniges*
Natalie Morton*
Nichola Moore, Chair
Paul Bennett
Stephen Coughlan
Stuart Stubbings*

*member-nominated directors (MNDs)

Accounts and amounts

The year at a glance...

As at 31 December 2022, the Plan was worth **£1 billion**

The Plan paid benefits to members worth **£41.6 million**

Financial highlights

	2022 £'000	2021 £'000
Plan value at the start of the year	**1,787,223**	**1,722,597**
Money in less money out	(28,709)	(8,230)
Change in market value	(713,009)	72,856
Plan value at the end of the year	**1,045,505**	**1,787,223**

Money in

	2022 £'000	2021 £'000
Contributions	3,666	22,957
Transfers and other income	466	449
Investment income	16,535	14,077
Total	**20,667**	**37,483**

Money out

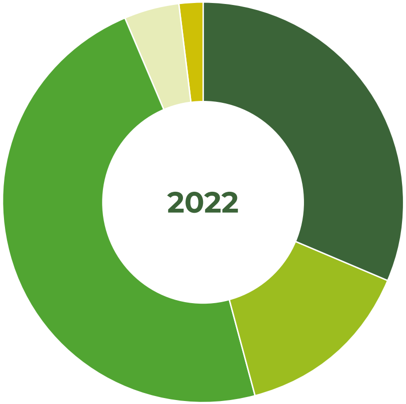
	2022 £'000	2021 £'000
Benefits paid to members	(35,516)	(33,603)
Payments to leavers	(6,081)	(3,905)
Transfers out	(5,316)	(5,390)
Administration expenses	(2,851)	(2,749)
Transfers from the DC Section	388	(66)
Total	**(49,376)**	**(45,713)**

Who's in the Plan?

	2022	2021
Active members	**548**	566
Deferred members	**1,179**	1,260
Pensioners	**4,342**	4,397
Total members	**6,069**	6,223

Where are the assets invested?

The chart shows the allocation of the Plan's assets as at 31 December 2022.



	2022	2021
Equities	0.0%	12.1%
Real estate	0.0%	0.9%
Private equity	31.4%	16.3%
Fixed income	14.5%	11.2%
Liability matching	48.0%	51.6%
Alternatives	4.4%	7.0%
Cash	1.8%	1.2%

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 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 2021 and the subsequent annual updates as at 1 January 2022 and 2023.

	Update 1 January 2023	Update 1 January 2022	Valuation 1 January 2021
Value of assets*	£1,034.5m	£1,776.2m	£1,713.2m
Amount needed to provide benefits (liabilities)	£1,009.2m	£1,619.9m	£1,650.2m
Surplus	£25.3m	£156.3m	£63.0m
Funding level	103%	110%	104%

*Not including additional voluntary contributions or DC Section assets.

Changes since the previous statement

The funding level reduced during the year from 1 January 2022 to 1 January 2023, mainly because there was a greater reduction in the Plan's assets compared with the reduction in the liabilities. The value of both the assets and liabilities fell due to the significant rise in government bond yields in 2022. However, the fall in the Plan's liabilities was not as great as the fall in the assets, in part due to recent high levels of inflation, which have led to greater pension increases than expected.

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 made 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 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 2023, the estimated shortfall had reduced to £58 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 2021 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 2022, 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**

Get in touch

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

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Plan website:
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Moving home?

If you change your address or any other personal details, please remember to update your online account.

Pension news is available in large print on request.

You can also read it online on the Plan website.

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