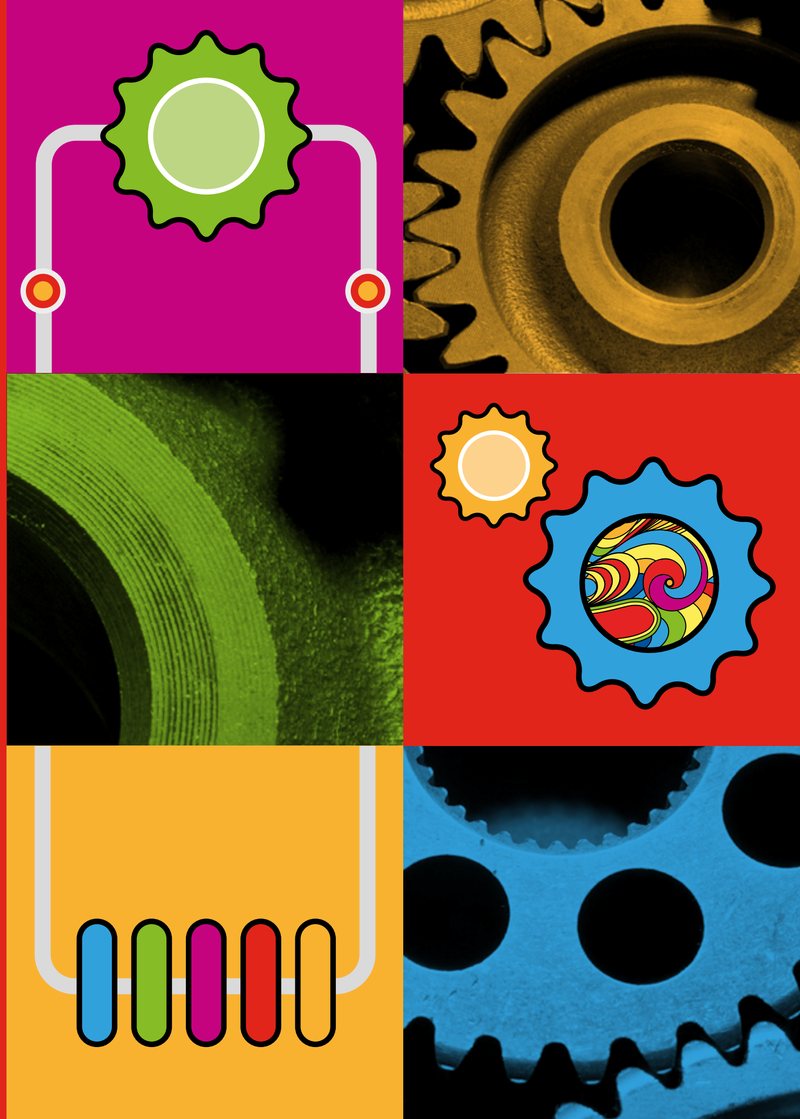
Cummins UK Pension Plan

Pension news

for defined contribution 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 might cause a delay in paying any benefits that are due. Obviously, we hope that you'll be taking the money from your fund account yourself, but in case the worst should happen, an up-to-date nomination form helps the Trustee directors make their decision and reduces delays. Have a look at our '5 things to do today' on pages 8 to 11 – 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 20 and 21. 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

In this issue

Plan noticeboard

Covid-19 market update

There has been a significant impact on the value of the Plan's DC Section, with pension savings hit by the volatile market movements. Most members are invested in the Plan's default flexicycle strategy, which automatically adjusts the exposure to different asset classes over time, reducing risk in the run-up to retirement. These strategies 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 during the short term.

The increased level of uncertainty in March meant it became increasingly difficult to price property assets. In line with the FCA's guidance, this led many funds that invest in physical property to suspend trading as they could not ensure investors were buying or selling at an appropriate price, which was the case with the Plan's Managed Property fund. LGIM confirmed all dealings had been suspended, and the Trustee ensured that affected members were notified, with new contributions to the fund being temporarily suspended. This fund reopened on 1 October and members were updated.

We understand that it can be alarming to see the value of your investments fall but would encourage you to keep in mind that pension saving is a long-term investment and avoid making hasty decisions in response to recent events. Moving your investments following a sudden fall in the markets could mean that you miss out on any subsequent recovery.

The Plan receives an excellent value-for-money rating

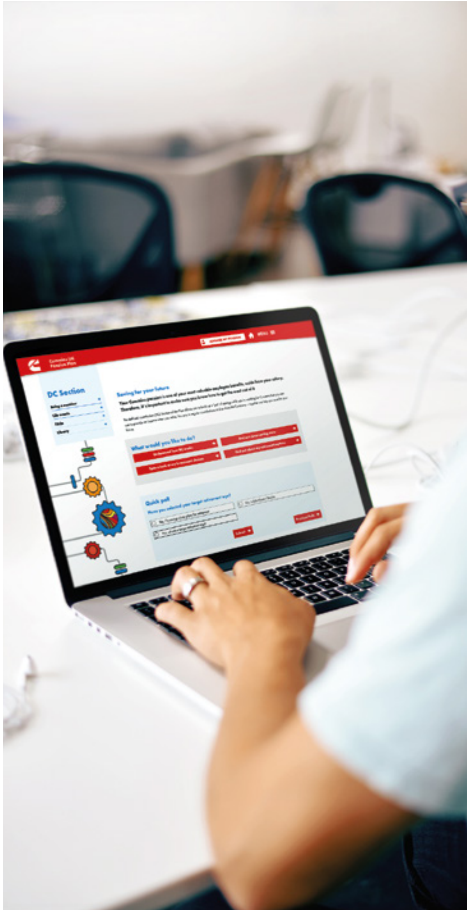
The Trustee is committed to ensuring that members receive value from their Plan membership, in that the contributions invested and the charges deducted provide good value in relation to the Plan's benefits and services.

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.

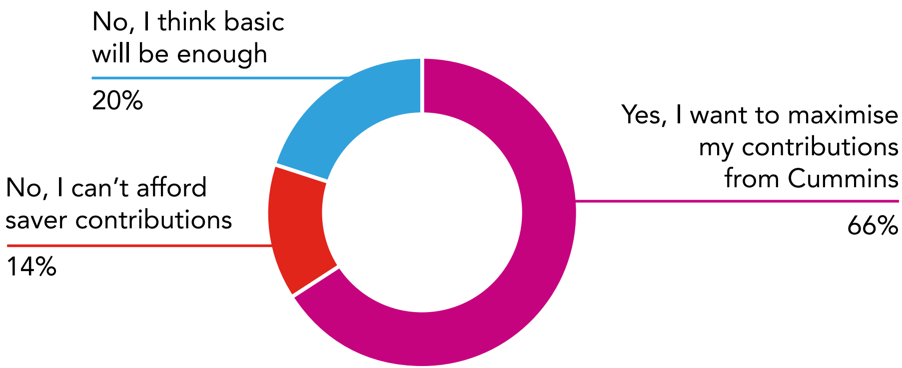
Overall, the Trustee concluded that the Plan provides excellent value for members, not only because the charges paid by members are competitive, but also because of the range and quality of services and benefits associated with Plan membership that are paid for by Cummins. You can read the latest value-for-members 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 DC 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, 'Are you paying saver contributions?'



While it's great to see a large proportion of our members are taking advantage of extra contributions from Cummins, there's still a third of our members who could be missing out on a valuable boost to their savings. Find out more on pages 12 and 13 about getting the most out of your contributions.

Your **pension and tax**

If you're thinking of increasing your pension savings 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.

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 Trustee 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. They can easily be passed on to your family – or whoever you've nominated on your form – as a cash lump sum.

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.

2. Review your contributions – don’t miss out on ‘free’ money

How much money you have in retirement will depend on the value of your personal account when you retire, so the amount that’s paid in over the years really matters. Make sure you’re taking advantage of the maximum contributions from Cummins: if you pay saver contributions, Cummins will match your contributions up to 4%.

See page 12 to find out how you can maximise your contributions – saving more might cost you less than you think.

3. Check your target retirement age

If you’re using a flexicycle investment option, it’s really important to choose a target retirement age (TRA) that’s right for you. This is because the automatic switching of investments to reduce risk is based on your TRA.

If you leave your TRA at age 68, but you’re actually hoping to retire earlier, it could mean your savings are invested in a growth fund too close to retirement. If there’s a sudden downturn in the financial markets, your savings might not have 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.

You can change your TRA at any time via **Manage my pension**.

- Go to **Account settings – About my membership**
- Click **edit** next to target retirement age
- Enter an age (no earlier than 55) and **submit**.

If you haven’t chosen a TRA, we’ll assume it’s your State pension age. Remember to check your TRA from time to time and make sure it still fits with your plans for retirement.

5 things to do today (continued)

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.cumminsukpensions.co.uk** and then:

iPhone/iPad:	Android:
1. Click the share button	1. Tap the menu button
2. Choose 'add to home screen'	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. Review your investments

Whether you use the Plan's flexicycle investment options or the self-select funds, it's a good idea to review your investment choices regularly to make sure you're still on track with how you plan to take your benefits: income drawdown, annuity or cash.

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.

Are you **saving enough?**

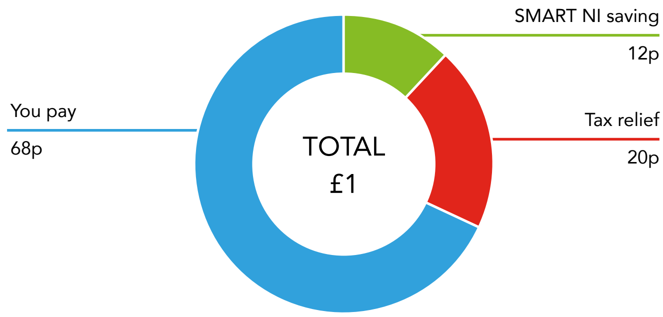
Knowing how much to save for your retirement is difficult. There's lots to think about like when to retire, how much your living expenses will be and how much your investments will grow. There's also the unpalatable truth that your savings need to last for the rest of your life – and estimating how long that could be is something we all tend to avoid.

However, working out how long you might be in retirement for is a major consideration. After years of stagnation, life expectancy in the UK for both men and women rose significantly in 2019. According to the Office for National Statistics (ONS), life expectancy for women at birth has increased to 83.6 years and for men to 79.9 years. It also said that a woman who has already reached 65 years old can now expect to live on average for another 21.5 years, while men at age 65 will live an average of another 19.1 years. Clearly this has implications for when you can think about retiring and how much you should be contributing.

How much do contributions cost?

Any money you decide to contribute to your pension will cost you less than you think because you don't have to pay income tax on it. If you're a basic rate taxpayer, this means every £1 you contribute only costs you 80p. Paying through SMART means you also make savings on National Insurance, bringing the cost of saving £1 into your pension fund down to just 68p.

The cost to you of contributing £1



Don’t miss out on ‘free money’

You pay monthly contributions into the Plan and so does Cummins.

How much to contribute depends on your own circumstances, but if you only ever pay basic contributions, you’ll be missing out on valuable saver contributions from the Company.

When you pay saver contributions, these are matched by Cummins up to 4%. The more you save, the more Cummins helps you save.

The difference 1% more could make

Jack and Jill are both 25 and they earn £25,000. Jack only pays basic contributions, but Jill pays saver contributions too. Here’s how their contributions stack up:

Category	Jack	Jill
Basic contributions	8% (3% from Jack and 5% from Cummins)	8% (3% from Jill and 5% from Cummins)
Saver contributions	-	2% (1% from Jill and 1% from Cummins)
Estimated pension fund value at age 68	£124,177	£155,221

The cost to Jill of saving an extra £250 (1%) a year is just £170 (because of tax and National Insurance savings) or £3.27 a week.

Jill makes some simple savings on small things like cutting back on takeaway coffees or preparing her own lunch once a week. In doing this, her estimated pension fund at retirement is 25% (£31,044) more than Jack’s.

You can decide to pay or increase your saver contributions at any time. Log into your 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**

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.

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**

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

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.

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

Accounts and **amounts**

The year at a glance…

As at 31 December 2019, the Plan was worth

£232 million

During the year, the Plan increased in value by

£53.5 million

The Plan paid benefits to members worth

£2 million

Financial highlights

	2019 £'000	2018 £'000
Plan value at the start of the year	**178,470**	**177,143**
Money in less money out	19,676	13,572
Change in market value	33,884	(12,245)
Plan value at the end of the year	**232,030**	**178,470**

Money in

	2019 £'000	2018 £'000
Contributions	22,543	17,732
Transfers in and other income	1,015	1,445
Investment income	72	-
Transfers from DB Section	372	350
TOTAL	**24,002**	**19,527**

Money out

	2019 £'000	2018 £'000
Benefits paid to members	(1,985)	(2,230)
Payments to leavers	(19)	(14)
Transfers out	(1,947)	(3,406)
Administration expenses	(375)	(305)
TOTAL	**(4,326)**	**(5,955)**

Who's in the Plan?

Active members

2019: 3,846 2018: 4,060

Deferred members

2019: 3,370 2018: 2,840

Total members

2019: 7,216
2018: 6,900

Accounts and **amounts** (continued)

Investment performance

The table shows how the different funds performed against their benchmarks in the year to 31 December 2019.

		Performance %	Benchmark %
Flexicycle funds	Accelerated growth	21.0	21.0
	Moderate growth	15.0	25.3
	Pre-retirement	11.7	11.9
	Cash	0.6	0.6
Self-select funds	UK equity	19.3	19.3
	Ethical global equity	25.7	26.1
	World equity (unhedged)	23.7	23.8
	World equity (UK hedged)	25.9	26.1
	World emerging markets equity	15.7	16.1
	All stock bonds	7.8	7.8
	Managed property	2.4	1.6
	HSBC Islamic titans	29.1	29.7

Changes to the flexicycle investment strategy

In the first half of 2020, the Trustee reviewed the Plan's flexicycle investment strategy, which is the default option that most members use. As a result, we're making some changes to the way the flexicycle strategy works to give members more choices at retirement.

Launching on 1 December 2020, the Plan's new flexicycle continued growth strategy is suitable for you if you don't want to make your own investment decisions by using the self-select funds but still want the flexibility to choose how to take your benefits at retirement.

When you get to within 10 years of your target retirement age, you can either:

- choose a different flexicycle option if you know you'd prefer to buy an annuity or take cash
- stay in the flexicycle continued growth strategy (the default option) if you think you'd like to use income drawdown or you're not ready to decide and want to keep your retirement options open.

Your savings will automatically be moved into the flexicycle continued growth strategy, starting on 1 December 2020. You don't need to take any action unless you'd like to make a different choice. You can find out more about your investment options in the investment guide on the Plan website and make changes at any time by logging into your account via **Manage my pension**.

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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