

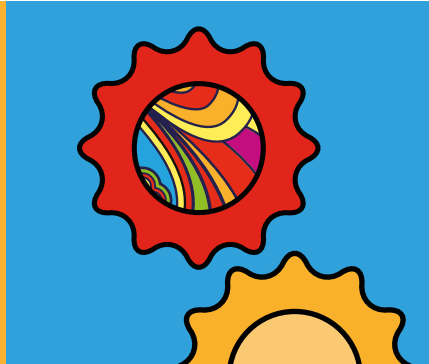
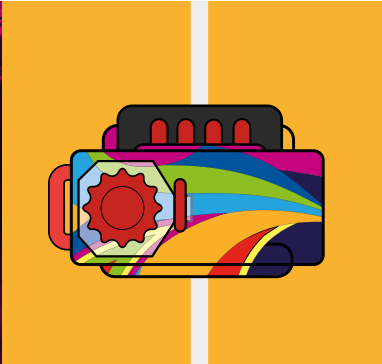


Cummins UK Pension Plan

Pension news

for defined contribution members

March 2021



Welcome

A warm welcome to the latest issue of *Pension news*, the newsletter for defined contribution (DC) members of the Cummins UK Pension Plan.

Since our autumn newsletter, we've seen further lockdown restrictions across the UK because of the pandemic, but the new year brought more positive news with the rollout of the vaccine heralding the easing of lockdown measures. We hope that all our members are staying safe and well.

Later this year, we'll be holding a selection process to find some new member-nominated Trustees (MNTs) to fill three vacancies on the Trustee board. If you're an active member, we'll be writing to you in May with more details and to invite any members who might be interested in taking a more active role in helping to run our pension plan, to consider putting themselves forward for selection. In the meantime, if you'd like to know more about the work of the Trustee board and

what it's like to be an MNT, have a look at our interview on page 8 with Jack Finlay, who's been an MNT since January 2019.

Following feedback from members, we've changed the name of the Plan's investment option from flexicycle to lifestyle. This is simply an update of the name to bring it in line with industry convention.

As you know, in December last year, we introduced some changes to the default lifestyle investment strategy, which now targets income drawdown at retirement, giving members more flexibility to keep their options open. There's an overview of the new default lifestyle strategy, continued growth, on page 10.

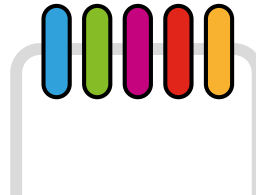




We're reminding everyone about the importance of updating your nomination form on an annual basis. It tells the Trustees what you'd like them to do with any benefits, including your savings in the Plan, that are payable in the event of your death. Unfortunately, there's still a large number of members for whom we don't hold an up-to-date nomination. This year, we're holding a nomination day on 1 July – make sure you remember to update your nomination before then. There's more information on page 6.

Finally, we hope you find this issue of *Pension news* useful and informative. You can always find regular updates from the Plan on the Plan website at www.cumminsukpensions.co.uk

Nichola Moore
Chair of Trustees



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Plan noticeboard

A brighter tomorrow

It's been a tough year for everyone, and you might have been tempted to cut back on your pension saving. However, your pension is a long-term investment, and we urge you to continue to save as much as you can into the Plan to make sure you make the most of the matched saver contributions from Cummins.

Some members like to give their savings a bit of a boost each spring by paying their variable compensation into the Plan as a one-off additional contribution. This is a great way to maximise your variable compensation (you don't have to pay tax on it if you pay it into your pension rather than taking it as income) without impacting your regular monthly pay.

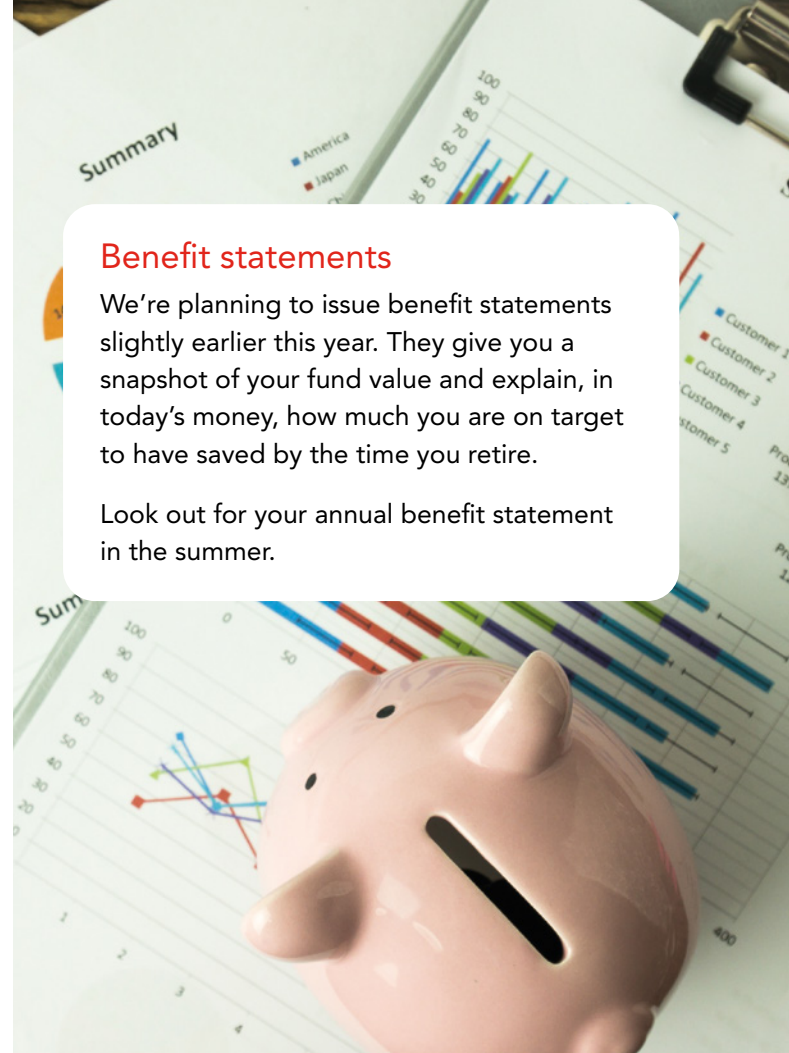
Don't forget that you can boost your savings at any time of the year, whenever suits you:

- Log into your account via **Manage my pension**
- Select **instruct us** from the left-hand menu
- Choose **change how much you pay into your pension**
- Select **make a one-off payment**.

Benefit statements

We're planning to issue benefit statements slightly earlier this year. They give you a snapshot of your fund value and explain, in today's money, how much you are on target to have saved by the time you retire.

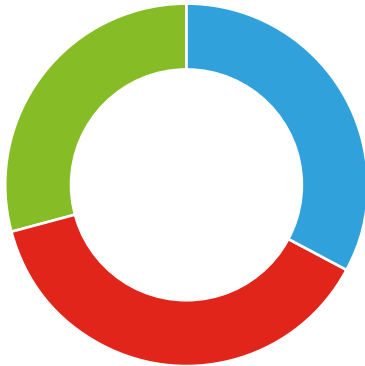
Look out for your annual benefit statement in the summer.



Do a quick poll

The most recent quick poll in the DC Section of the Plan website asked members if they'd chosen a target retirement age and these are the results:

Have you selected a target retirement age?



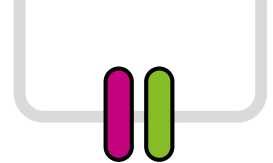
- Yes, I'm on top of my plans for retirement 33%
- No, I didn't know I had to 38%
- No, what's a target retirement age? 29%

As you can see, two-thirds of those who took part in the poll hadn't chosen a target retirement age and many didn't know what it is.

You might not think this is important, especially if you're a long way from retirement, but it does influence how your money in the Plan is invested if you're using the default lifestyle investment strategy, which most of our members are. Ultimately, this could affect how much money you have in your pension pot at retirement. See the article about investments on page 10 for more details. You can select or change your target retirement age at any time by logging into your account via **Manage my pension**.

Take part in the next quick poll at:
www.cumminsukpensions.co.uk/dc-section/

A nomination form: is it worth it?



Yes – it's worth all the money in your pension account PLUS (for active members) five times your salary. These amounts, which could be sizeable, would be payable as cash lump sums if you died before taking your benefits.

Different from your HR next-of-kin form, your nomination tells the Trustees what you'd like them to do with this money. It's a key document, along with other information, that the Trustees use help them decide who should receive any lump-sum payments. These are not automatically paid to your partner, if you're not married or in a civil partnership, even if you've been living together for several years.

Tell us your wishes and it's simple

The process is straightforward where members have completed an up-to-date nomination, especially if there's also a valid will that supports their wishes. The Trustees can make a decision quickly and pay any benefits that are due without delays.

What if you don't tell us your wishes?

Unfortunately, without a nomination form, things can become rather complicated and take a long time. The Trustees have strict legal duties to make certain investigations before paying out discretionary lump-sum benefits. They need to:

- find out if there's a will or a grant of probate
- track down who the eligible beneficiaries are
- find out if there's a partner the member has been financially dependent with.

These investigations aren't simple, can take a long time and be very intrusive at a time when your loved ones are grieving. They also require the Trustees to rake through your personal life and make judgements about the nature of your relationships with different individuals, maybe interviewing friends or former colleagues, union representatives, etc. to gather evidence for who your beneficiaries should be.

At each stage of the process, the Trustees strive to do the right thing. However, this does mean asking your friends and family some very penetrative questions about the nature of their relationship with you, such as how often they saw you and when; if they didn't live with you, why not? If they did live with you, can they provide evidence of what's called 'financial interdependency' that shows how you shared expenses? Your partner would need to provide evidence covering at least two years from:

- bank statements either in joint names or ones showing money being transferred between the two of you with the shared address at the top of the statements
- utility and council tax bills in joint names, a TV licence, house deeds or mortgage application in joint names.

Ideally, a decision needs to be made within two years so that the benefits can still be paid tax free.

If you don't complete a nomination form, the Trustees have to balance what's morally right with what's legally correct under the Plan rules. With the best intentions, this may not be the person you would have chosen.



1 July is nomination day

Make sure you update your nomination, even if there are no changes to your circumstances. Think about who you would wish to receive any benefits – especially if your situation might be complicated.

By completing your nomination and keeping it updated each year, you can avoid any additional distress for your loved ones and make sure your benefits can be paid without delay.

You don't have to wait until 1 July, you can make changes at any time – why not do it right now?

Update your nomination in under two minutes

- Log into your account via **Manage my pension**
- Choose **Instruct us** from the left-hand menu
- Select **Update your nominations**
- Complete online and **submit**.

Being a Trustee



Jack Finlay is a member-nominated Trustee (MNT), who joined the board in January 2019. He has worked for Cummins for nearly six years and is currently a project manager for the Marine Group.

This involves handling customer orders for engines that go into fishing vessels, Navy patrol boats and other vessels of that size from contract signing to sea trials.



1. What does your role as an MNT involve?

My role, first and foremost, is to represent the members of our pension Plan. This ranges from ensuring that our investment managers act with prudence when choosing investment vehicles to help your pension pot grow to ensuring that, should a member die while still in full-time employment with Cummins, any lump-sum payment that is due goes to the people that the member would have wanted. My interest in pensions stems primarily from my interest in investing, so I also sit on the investment sub-committee (ISC), where some of the more technical aspects of investing are delegated from the full board.

2. What do you enjoy most about being a Trustee?

The fact that I'm contributing real value. Individually, my contribution may be relatively minor, but as a team, we dedicate a lot of time to ensuring that our members get the best possible value for the investment they make every month, while maintaining a prudent level of risk. I take the fact that I am helping shape your future very seriously.

3. What advice would you give to a member thinking about becoming an MNT?

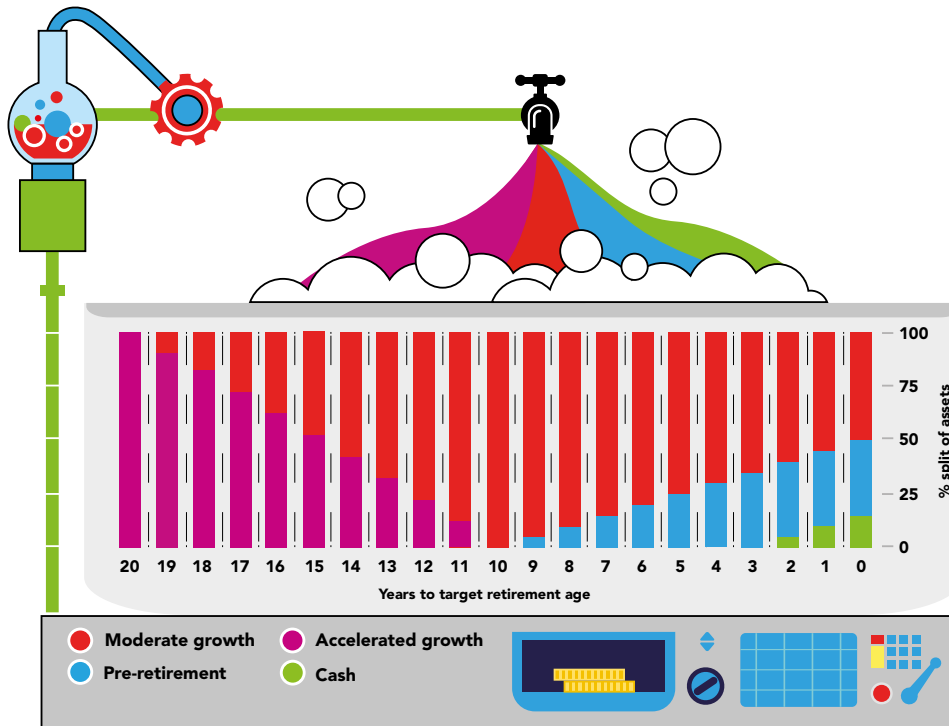
Reach out to someone who is an MNT and ask them about their experience directly. It's a big responsibility and not a very efficient way of getting volunteer work on your CV, if that's what you're looking for! However, if you really are interested in contributing towards the future of your colleagues at Cummins, this is the role for you.

It's extremely rewarding. You get to work with people you wouldn't ordinarily come into contact with from across the Company, you get priceless experience sitting on a board of directors and you get to see what it's like to be an institutional investor.

4. What do you like to do in your spare time?

I recently bought a house in the countryside, so that really shapes my spare time. I'm either ripping something down, building it back up or walking through fields when I'm not working!

The default lifestyle strategy explained



What's changed?

At the end of last year, we made some changes to the default lifestyle investment strategy (formerly known as 'flexicycle'), which aims to put you in the right position at retirement so that you can make a choice that works for you. The key changes are:

- the default option now targets income drawdown at retirement and is called **continued growth**
- the proportions of your account in the default option at retirement are now invested 50% in moderate growth, 35% in pre-retirement and 15% in cash.

If you want to target buying an annuity or taking cash instead, these options are still available for you to select as an alternative to the default option targeting income drawdown.

How does lifestyling work?

The lifestyle investment strategy is for you if you don't want to make detailed investment decisions about your pension savings. It aims to maximise investment growth in your younger years and then gradually and automatically switches your money into less volatile funds as you get closer to retirement.

| Time to target retirement age | What's happening to your money? |
|-------------------------------|---|
| 20+ years | Accumulation phase – 100% of your account is invested in the accelerated growth fund. This hasn't changed. |
| 20 to 0 years | Switching phase – investment risk is gradually reduced over 20 years as shown in the chart opposite. The funds haven't changed, but the allocation proportions are new. Also, the optional shorter time frames of 5 or 10 years are no longer available. |

5 or 10-year lifestyling periods

Please note: a 5-year or 10-year switching period is no longer available as part of the lifestyle option. If you don't want your account to start moving out of the accelerated growth fund at 20 years to retirement, you'll need to use the self-select fund options instead.

If you have any queries, please contact Premier using the details on the back page.



How much money will you need in retirement?



Research shows that less than a quarter of us really understand how much money we'll need in retirement. The Pensions and Lifetime Savings Association (PLSA) has suggested the income that's needed to achieve different standards of living.

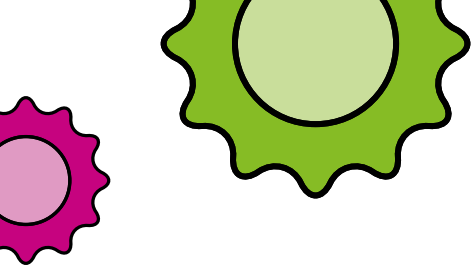
Remember to take into account your income from all workplace pension plans across your career, any personal pensions you may hold, and the State pension which is payable from your State pension age.

| Single | | Couple |
|---------|--|---------|
| £33,000 | comfortable more financial freedom and some luxuries | £47,500 |
| £20,200 | moderate more financial security and flexibility | £29,100 |
| £10,200 | minimum covers all your needs with some left over for fun | £15,700 |

You can get a forecast of your State pension by going to www.gov.uk/check-state-pension. The amount you're entitled to depends on how many years' worth of National Insurance contributions (or credits) you've got. To get any State pension, you need a minimum of 10 years; while to get the full amount, you need 35 years' worth.

If you were a member of a workplace pension scheme before 2016 that was contracted out of the State pension (like our Plan), your State pension amount will be reduced.

Note: these are current figures, so you'll need to add an allowance for inflation.



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.

A realistic financial plan is essential when thinking about what you'll need for a successful retirement.

- List your current expenses: housing, food, transport, utilities, holidays, leisure, clothing, etc.
- Think about how much money you'll need after you stop working – some expenses (housing, commuting) may go down, but others may increase (travel, leisure).
- Develop a savings plan that meets your needs – saving even a small amount extra can make a big difference.

To find out more, go to:
www.retirementlivingstandards.org.uk

Anthony Waller
Bernadette Daley
Edward Smith
Gloria Griesinger
Gordon Davis*
James Guilfoyle
Jack Finlay*
Lisa Thornton
Martin Bruniges*
Natalie Morton*
Nichola Moore, Chair
Paul Hoskins*
Stephen Coughlan*
vacancy*

*member-nominated Trustees

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

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

Pensions news



Scams – stay alert

Scammers are continuing to target pension pots of all sizes. The pandemic has impacted all kinds of companies, including those listed on the stock markets. As a result, markets have been volatile and are likely to remain so for a while. This can have an impact on pensions, leading to an increase in scams.



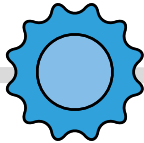
If you're facing financial difficulties because of the pandemic, you may be tempted to cash in some of your pension. Scammers design attractive offers to persuade you to transfer your pension pot to them, where it is:

- invested in unusual and high-risk investments
- invested in more conventional products but within an overly complex structure that hides multiple fees and high charges
- stolen outright.

Common pension scams include early pension release or pension reviews. You should:

- reject any unsolicited contact about investments
- check the Financial Conduct Authority's warning list
- get impartial advice.

New regulations to support pension trustees in blocking transfers that display pension scam red flags are expected to come into force this autumn.



Pension Schemes Act 2021

The long-awaited Act covers a wide range of issues, including bringing in criminal and civil offences for pension funding negligence and lays the groundwork for pensions dashboards. It was delayed last year as a result of Covid-19 and has spent more than a year awaiting approval.



Saving small pension pots

A pensions-industry working group has published recommendations on how to ensure that pension savers are not disadvantaged by having numerous small pension pots, often formed during brief stints of employment. Left deferred, these small pots may slowly be eroded due to pension scheme charges, or savers may lose track of them.

It's estimated that there would be around 50 million dormant pension pots by 2050, and the pensions industry is being encouraged to develop workable solutions that allow savers to consolidate their pension pots, either on request or through large-scale transfers.

Anyone who wishes to transfer a previous pension pot into the Plan should contact Premier. If you're wanting to locate a lost pension, go to:

www.gov.uk/find-pension-contact-details

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

Remember to let us know!

Please don't forget 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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