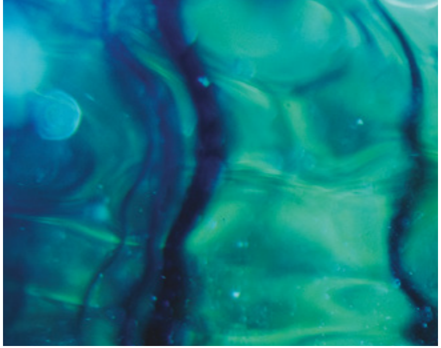
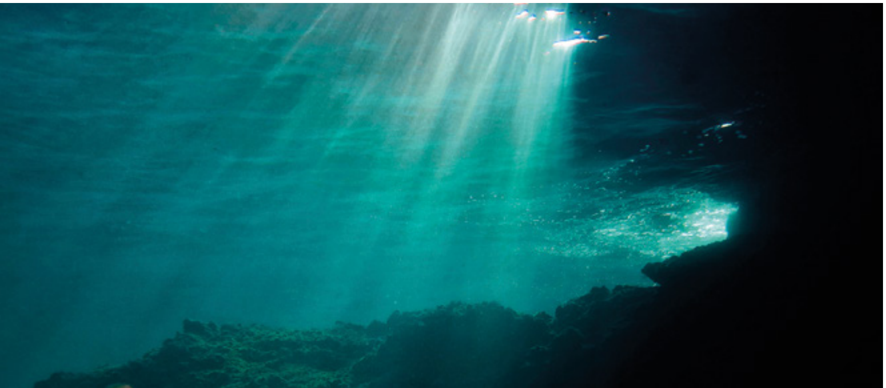
Spring 2025



Cummins UK Pension Plan

Pension news

For defined contribution (DC) members



Welcome

Welcome to your spring issue of *Pension news*, the newsletter for defined contribution (DC) members of the Cummins UK Pension Plan.

In over 100 years of pensions, things have changed a lot. Like anything over a long period of time, misunderstandings can happen and things that you thought were true might actually turn out not to be. On page 4, we're taking a look at some of the more common pension myths and finding the truth.

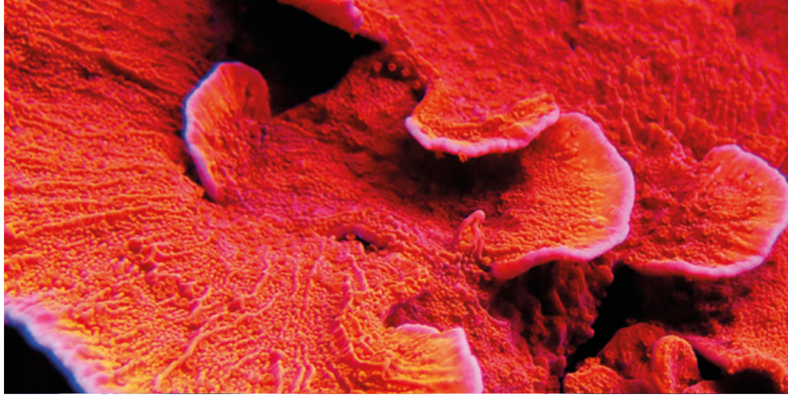
Also in this issue, we're focusing on your age – specifically, your target retirement age – what it is and why it matters. This is essential reading for anyone who's using the lifestyle investment option, which is over 90% of our members. You can read more about this on page 7.

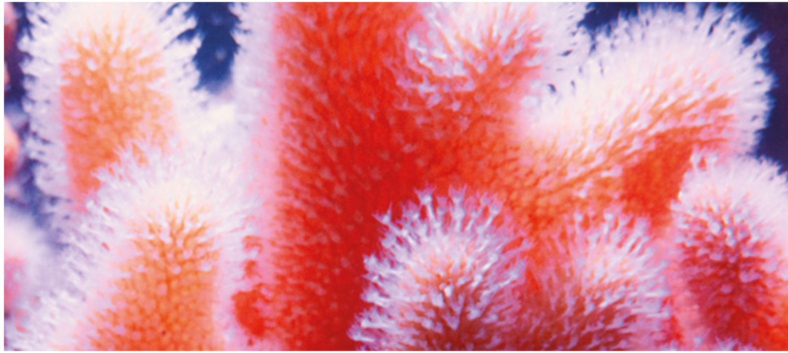
Finally, there's a change on the Trustee board to tell you about. One of our Company-appointed directors, Paul Bennett, stepped down in December 2024. We thank Paul for his service to the Plan on behalf of our members, and we welcome a new Company-appointed director, Julian Rose, to the Trustee board from 1 January 2025. Julian was Cummins' global pension strategy director for seven years before moving to a new, non-retirement role within the Company, so he'll be a valuable addition to the Trustee board.

I hope you enjoy reading this issue of *Pension news* and find it useful. If there's anything 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





Pension myths uncovered

Is it really worth saving into a pension? Won't the State pension be enough? Can't my house be my pension? We're getting to the bottom of some common myths about pensions to find out what's what.

MYTH: pensions are complicated

It's true that pensions can sometimes be complex, but a modern, workplace pension is simple. Your employer sets it all up for you: you and Cummins regularly pay money in – it builds up over time until you choose to take your benefits.

MYTH: it's not worth saving into a pension

Money you pay into a pension (up to £60,000 in a year) gets tax relief, which means the government contributes to what you save. So, every £1 you pay in only costs you 80p. If you're a higher-rate taxpayer, the savings are even greater.

Use the cost calculator in the Save section of the **Plan website** to see how this works out for you.

MYTH: I can only pay in a small amount, so it's not worth it

Saving anything, however small, could be worth it. If you pay into the Plan, so does Cummins. Not being in the Plan would mean you'd miss out on these valuable Company contributions and tax relief on what you pay in, as well as increased life cover.

MYTH: I'm too old to start saving

Even if you're only a year or so from taking your benefits, saving into a pension could still be worth it because of the tax advantages over other forms of saving.

MYTH: the State pension will be enough

The full State pension is currently £221.20 a week (around £11,502 a year) – which is almost £3,000 short of what you'll need for a basic standard of living in retirement, according to the Pension and Lifetime Savings Association's **Retirement Living Standards**. Also, you'll only qualify for the full amount of State pension if you have at least 35 years of National Insurance credits.

You can find out how many years' credits you have, and if you can fill any gaps, by getting a **State pension forecast**.

MYTH: my property is my pension

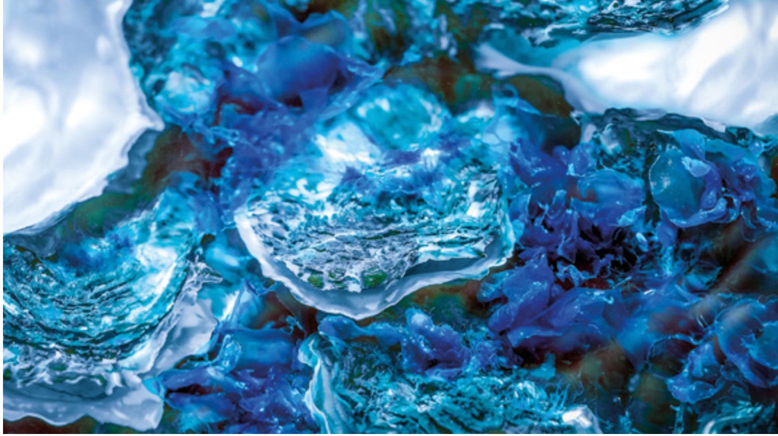
Whether you've got one home or a portfolio of buy-to-lets which might provide retirement income, they're unlikely to be as tax efficient as a pension. When you buy a house (or several), you're paying with money that's already been taxed. If you're a landlord, you'll be taxed on any income you earn from your properties, and if you sell your properties or die, capital gains and inheritance taxes will be due. With a pension, you don't pay tax on what you save, you don't pay tax on any investment growth – and you can take up to 25% of your savings tax free (capped at £268,275) when you access them.

MYTH: my money is better in a high-interest savings account

A savings account is good, but it's not as efficient as a pension because of tax relief. You've had to pay tax on the money you put into a savings account. The amount of interest you can receive tax free in a year is restricted, and the amount of investment growth you can achieve is limited by the interest rate that has been set. A further consideration is that your employer doesn't contribute to these savings.

MYTH: my pension will be lost if I die

If you die before you take your benefits, your fund account, including the contributions from Cummins, can be passed on to your beneficiaries. Remember to tell us who you want your beneficiaries to be by updating your nomination form every two years, or sooner if your circumstances change. You can do this online by logging in to your account via **Manage my pension**.



MYTH: I'll lose all my money if my employer goes bust

The money you save into the Plan is kept in trust, legally separate from Cummins.

MYTH: a death-in-service benefit is only paid if you die on site

If you die while you're an employee of Cummins, regardless of where this happens, a death-in-service benefit is paid to your beneficiaries. Active members of the Plan are covered for five times their basic annual salary, but if you've opted out of the Plan and don't pay contributions, the benefit is one year's salary. Please note that if you're a deferred member of the Plan and no longer work for Cummins, a death-in-service benefit no longer applies.

Your target retirement age matters

If retirement is a long way off for you, the last thing on your mind is deciding when you might like to take your benefits. However, this still applies to you and is important. So, what is a target retirement age (TRA) and why does it count?

Most members invest their savings using the Plan's lifestyle option. It's a simple way to invest, because everything is taken care of for you. You don't need to choose specific funds or make decisions about how or when to manage your investments yourself. If you haven't chosen a TRA, we'll assume it's your State pension age (66, 67 or 68, depending on when you were born).

What does the lifestyle option do?

It's an automatic process that shapes your investments over the course of your Plan membership. While retirement is a long way off, your money is focused for growth to help build up your pension fund. Then, as you get closer to your TRA, the focus shifts towards strengthening your pension fund to help protect it from extreme market conditions, before gradually getting everything ready for when you want to take your benefits.

Your TRA holds the key

Your TRA is the key that drives the automatic part of the lifestyle option. All the changes to your investments are based on how long you have until you take your benefits. This means that if your TRA is wrong, you could either miss out on some investment growth by reducing growth assets too soon, or your savings could be exposed to more investment risk than you would like close to when you want to take your money. Any sudden downturn in market conditions could put your savings in a vulnerable position without enough time to recover. This is why your chosen TRA is crucial for the lifestyle option.

Check what your TRA is and that it matches your plans for the future by logging in to your account via **Manage my pension**. You're not tied in to a particular TRA and can change it if your plans change.

You can also choose not to be in the Plan's lifestyle investment option and choose your own funds instead. To find out more, please read the **Investment guide**.

Plan noticeboard

Normal minimum pension age is going up

The Plan's default target retirement age is State pension age. If you're thinking about taking your benefits earlier than this, please remember that the government is increasing 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 need to check if you have a lower minimum protected pension age or think this change might affect your retirement plans.

Do you have more than one Plan account?

If you're an active member of the Plan, but you also have some deferred savings in the Plan from a previous period of service, you can bring everything together by completing a consolidation form. Similarly, if you want to, you can also move savings from a previous employer's pension arrangement into the Plan. Please note that external transfers into the Plan can take a few months to process. Contact Isio for a consolidation form or more details about transfers in.

In the pipeline...

Following the review of the Plan's investment options by the investment sub-committee, the Trustee is preparing a new DC investment strategy for the Plan. The finishing touches are in progress, and it is due to launch in the summer. Keep an eye out for more on this, as we'll be sending you the full details in the coming weeks.

Remember to register for Manage my pension

Thank you to everyone who recently registered to use Manage my pension following our reminder to those few members who still needed to sign up. It really is the best way to keep up to date with the Plan and understand more about your benefits.

You can:

- see how much is in your pension fund
- update your nominated beneficiaries
- check your target retirement age
- change your contributions
- review your investments
- find out about your retirement options.

FOMO (fear of missing out)?

We don't want anyone to miss out on all this good stuff, so if you still need to register, please make sure you take a few moments to do so by going to **Manage my pension** and then clicking on 'Register'. If you need any help with registering, please contact Isio, the Plan administrator.

Pension matters

Government proposals for changes to inherited pensions

In the autumn 2024 budget, the chancellor announced that the government plans to consult on whether unused pension pots will form part of an individual's estate for inheritance tax purposes from April 2027.

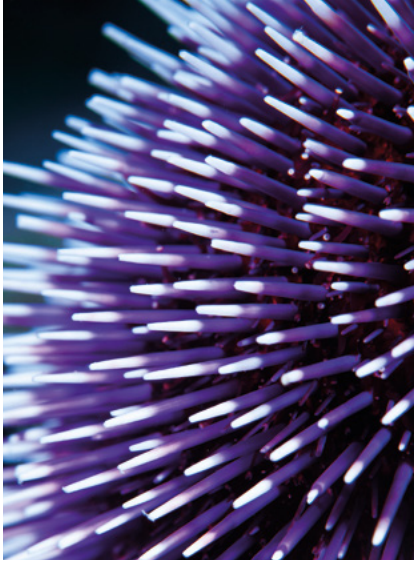
This could mean that pension lump sums and death benefits from a pension might no longer be passed on tax free to your beneficiaries as they'd be added to the rest of your estate – property, money, possessions, etc. – when working out if any inheritance tax is due.

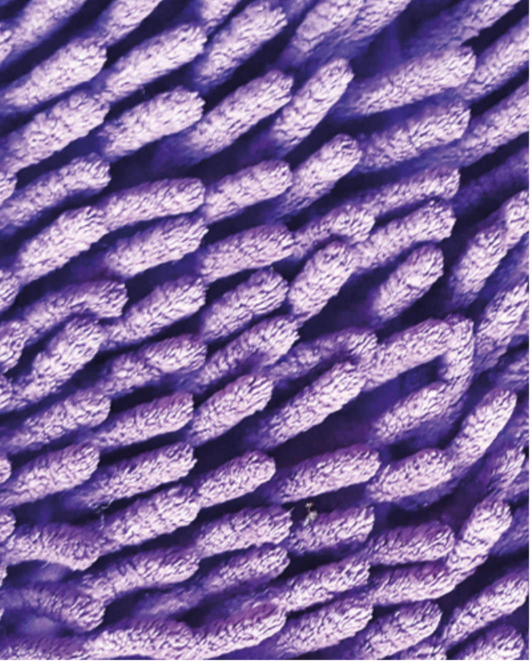
The rules are complex, and the government consultation will continue throughout 2025 and into 2026 to determine if and how this new approach will be put into practice. When details of any proposed changes are confirmed by the government, the Trustee will take specialist legal advice. We'll update you in a future newsletter and on the Plan website when more information is available.

Changes to tax relief for overseas transfers in Europe

If you're planning to transfer your pension abroad to a qualifying recognised overseas pension scheme (QROPS), it will be subject to the overseas transfer charge (OTC) of 25%, unless an exclusion from the charge applies.

From October 2024, the government has removed the OTC exclusion for transfers to a QROPS in the European Economic Area and Gibraltar. Please note that transfers within this area are now subject to the 25% tax charge.



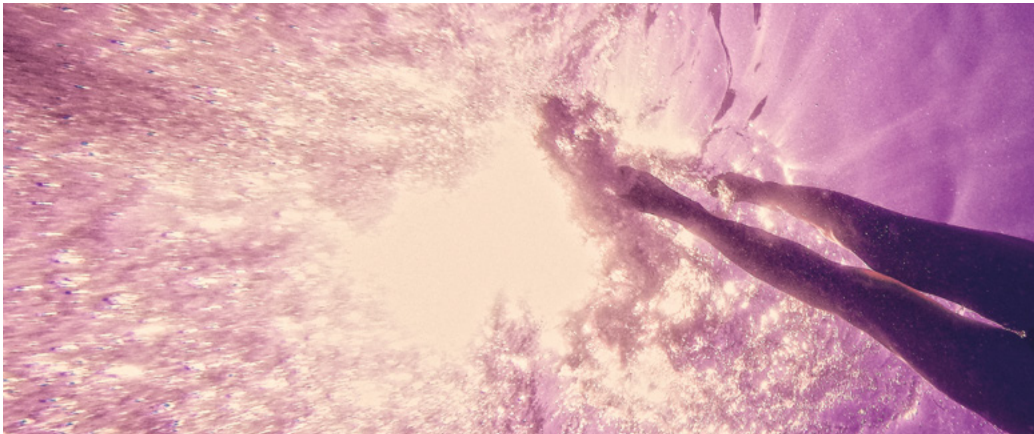


Pensions dashboards

Work on the government's pensions dashboards programme continues. However, please note that a public-access launch date is still to be announced, and it isn't expected to be until 2027 at the earliest.

The pensions dashboards will allow pension savers to view all of their pension information from different schemes in one place, including the State pension, which will help people engage with retirement planning.

The UK's pension schemes are connecting to the dashboards ecosystem in stages. This will take some time, and it won't be until November 2026 that all pension schemes have connected. We've been working with Isio, the Plan administrator, to ensure that the Plan is ready for our connection date, in line with legislation. In the meantime, we'll continue to keep you updated as more information becomes available.



Pension scams – did you hear Pauline’s story?

Pauline is an NHS children’s critical care nurse who has lost her entire pension savings in a pension scam. She tells her story in a special video produced by the Pensions Regulator, in which she urges others to stop, think and ask themselves whether something is genuine or too good to be true.

The scammers tricked Pauline out of £45,000, which she won’t be able to get back or have enough time to earn and build up again. As she approaches her retirement age, she’ll no longer be able to retire and will have to continue working at a time when she would prefer to be winding down from her rewarding but challenging career.

The details of her story highlight how easy it is for scammers to deceive ordinary, hard-working people. You don’t need to have hundreds of thousands saved in your pension fund to be a target for these unscrupulous criminals – with documentation that looks genuine and offers that seem to provide solutions to some of life’s troubles at just the right time, they’ll steal anyone’s money.

Watch the video of **Pauline’s story**.

Running the Plan

The Plan is looked after by a Trustee board.

Your current Trustee directors

Sub-committees

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

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.

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** online, as well as get a **State pension forecast**.

Need a financial adviser?

The **Unbiased** and **VouchedFor** websites are useful if you're looking to find an authorised financial adviser in your local area.

Check who you're dealing with

The Financial Conduct Authority (FCA) regulates financial markets and companies providing financial services in the UK. You can use its **register** to check that the company or adviser you're dealing with is listed and authorised to provide specific financial services.

Get in touch

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

Email us:
cummins.helpdesk@isio.com

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+44 (0)203 3722 113 (from overseas)

Write to us:
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PO Box 108
Blyth NE24 9DY

Plan website:
www.cumminsukpensions.co.uk

What's new with you?

Please make sure you update your details online if you change your address or any other personal details. If you currently work for Cummins, please use MyHR.

Pension news is available in large print on request.