CUMMINS INC
Form 11-K
June 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 11-K

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2008

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission File Number 1-4949

NELSON RETIREMENT AND SAVINGS PLAN
(Full title of the plan)

CUMMINS INC.
500 Jackson Street
P. O. Box 3005
Columbus, IN 47202-3005
(Name of Issuer of Securities Held Pursuant to the Plan and
the Address of its Principal Executive Office)

NELSON RETIREMENT AND SAVINGS PLAN

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008 AND 2007

NELSON RETIREMENT AND SAVINGS PLAN

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DECEMBER 31, 2008 AND 2007

* As the Plan is a member of the Cummins Inc. and Affiliates Retirement and Savings Plans Master Trust (Master Trust), the schedules of assets (held at end of year), at December 31, 2008 and of reportable transactions for the year ended December 31, 2008 of the Master Trust have been certified by the Master Trustee and have been separately filed with the Department of Labor. Other Supplemental Schedules not filed herewith are omitted because of the

absence of the conditions under which they are required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

REPORT OF INDEPENDENT rEGISTERED PUBLIC ACCOUNTING FIRM

To the Benefits Policy Committee and Participants of the

Nelson Retirement and Savings Plan

Columbus, Indiana

We have audited the accompanying statements of net assets available for benefits of the Nelson Retirement and Savings Plan (the Plan) as of December 31, 2008 and 2007, and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

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Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, line 4i Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Plan s management. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 24, 2009

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NELSON RETIREMENT AND SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2008 AND 2007

	2008	2007
Assets		
Investments:		
Investment in Cummins Inc. and Affiliates Retirement and Savings Plans Master Trust, at fair value	$ 40,778,014	$ 123,970,935
Participant loans	1,425,073	1,460,645
Total investments	42,203,087	125,431,580
Employer contributions receivables	652,939	550,398
Total assets	42,856,026	125,981,978
Liabilities		
Excess contributions refundable	-0-	26,964
Net assets available for benefits		
Net assets reflecting all investments at fair value	42,856,026	125,955,014
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	503,517	72,947
Net assets available for benefits	$ 43,359,543	$ 126,027,961

See accompanying notes to financial statements.

NELSON RETIREMENT AND SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2008

Additions		
Contributions:		
Employer	$	2,017,564
Employee	2,156,469	
Plan interest in Cummins Inc. and Affilitates Retirement and Savings Plans Master Trust investment income	(18,476,869)	
Interest income	41,563	
Total additions	(14,261,273)	
Deductions		
Benefits paid to participants	6,462,901	
Other deductions	26,303	
Total deductions	6,489,204	
Fund transfers with Affiliate Plans	(61,917,941)	
Net change in net assets available for benefits	(82,668,418)	
Net assets available for benefits, beginning of year	126,027,961	
Net assets available for benefits, end of year	$	43,359,543

See accompanying notes to financial statements.

NELSON RETIREMENT AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

1. description of the plan

The following description of the Nelson Retirement and Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan designed to provide participants with a systematic method of savings and at the same time enable such participants to benefit from contributions made to the Plan by Cummins Inc. and Affiliates (collectively, the Company). Eligible employees are employees of Nelson Industries, Inc. (Nelson). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Master Trust

The Cummins Inc. and Affiliates Retirement and Savings Plans Master Trust (Master Trust) holds the assets of the Plan and the following Company-sponsored plans:

- Cummins Inc. and Affiliates Retirement and Savings Plan for Bargaining Unit Employees;
- Cummins Inc. and Affiliates Retirement and Savings Plan for Consolidated Diesel Company, Inc. Employees; and

- Cummins Inc. and Affiliates Retirement and Savings Plan for Salaried and Non-Bargaining Hourly Employees

The trustee for the Master Trust is State Street Corporation. As participants transfer between different locations within the Company, their related Plan account transfers to the appropriate Plan, if applicable. Such transfers are reflected in the accompanying financial statements as Fund transfers with Affiliate Plans .

Contributions

Participants may contribute up to 50% of their eligible pay through a combination of pre-tax and after-tax contributions. Participants may direct their contributions in any of twenty-one investment options.

NELSON RETIREMENT AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

Matching Contribution

The Company contributes to the Plan by matching 100% of the first 1% contributed plus 50% of the next 5% contributed.

Participant Accounts

Each participant s account is credited with the participant s contributions, the Company s contributions and an allocation of Plan earnings. Allocations of Plan earnings are made daily and are based upon the participant s weighted average account balance for the day, as described in the Plan document.

Vesting

Participants are fully vested in all employee and employer contributions and earnings thereon at all times.

Benefit Payments

Upon termination of employment or retirement, account balances are paid either as a lump-sum distribution or annual installments not to exceed the lesser of 15 years or the life expectancy of the participant and/or joint life expectancy of the participant and beneficiary, and commence no later than the participant reaching age 70-1/2. The Plan also permits hardship withdrawals from participant pre-tax contributions and actual earnings thereon. Participants may also withdraw their after-tax contributions.

Participant Loans

A participant can obtain a loan up to a maximum of the lesser of $50,000 or 50% of the participant s account balance. Loans are secured by the participant s account balance and bear interest at the prime rate plus one percent, and mature no later than 4½ years from the date of the loan.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

NELSON RETIREMENT AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan have been prepared on an accrual basis of accounting.

Investments

The Plan s investment in the Master Trust is stated at fair value based on the fair value of the underlying investments of the Master Trust, determined primarily by quoted market prices, except for the Stable Value fund. The Stable Value fund consists primarily of insurance contracts and bank investment contracts with various companies. Insurance contracts and bank contracts are nontransferable, but provide for benefit-responsive withdrawals by plan participants at contract value. Alternative investment contracts consist of investments together with contracts under which a bank or other institution provides for benefit-responsive withdrawals by plan participants at contract value. Fair value is determined using a discounted cash flow method by considering such factors as the benefit-responsiveness of the investment contracts, the ability of the parties to perform in accordance with the terms of the contracts, and the likelihood that plan-directed withdrawals would cause payment to plan participants to be at amounts other than contract value. There are no limitations on liquidity guarantees and no valuation reserves are being recorded to adjust contract amounts.

Allocation of Master Trust Assets and Transactions

The investment income and expenses of the Master Trust are allocated to each plan based on the relationship of the Plan s investment balances to the total Master Trust investment balances.

Use of Estimates

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NELSON RETIREMENT AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

Risks and Uncertainties

The Master Trust invests in various securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Payment of Benefits

Benefit payments are recorded when paid.

Voting Rights

Each participant is entitled to exercise voting rights attributable to the Company shares allocated to his or her account. The Trustee shall vote all Company shares for which no voting instructions were received in the same manner and proportion as the shares for which voting instructions were received.

Administrative Expenses

Substantially all costs of administering the Plan are paid by the Company.

Accounting for Uncertainty in Income Taxes

The Financial Accounting Standards Board (FASB) has issued Interpretation No. 48 (FIN 48), which clarifies generally acceptable accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. As permitted by FIN 48 (as amended), the Plan has elected to defer the application of FIN 48 until issuance of its December 31, 2009 financial statements. For financial statements covering periods prior to calendar 2009, the Plan evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

Reclassifications

Certain prior year amounts have been reclassified herein to conform to the current method of presentation.

NELSON RETIREMENT AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

3. INVESTMENTS IN MASTER TRUST

The Plan s investments are held in the Master Trust. At December 31, 2008 and 2007, the Plan s interest in the net assets of the Master Trust was 3.5% and 7.4%, respectively. The following investments are held by the Master Trust as of December 31:

	2008	2007
Cummins Inc. Common Stock Fund	$ 113,120,749	$ 243,342,978
Cummins Inc. common stock - ESOP fund (non-participant directed)	16,801,598	85,089,690
Stable Value fund investments	380,694,849	350,099,530
Stable Value fund wrapper contracts	1,150,592	-0-
Common / collective trust fund	102,060,792	169,049,248
Registered investment companies	549,086,595	834,577,180
Total	$ 1,162,915,175	$ 1,682,158,626

The Stable Value fund portion of the Master Trust comprises several fully benefit-responsive insurance and investment contracts. This fund includes both open-ended, security-backed investments as well as closed-ended, general account investments maturing through 2020. The contracts have varying yields which averaged 5.68 percent and 6.05 percent during the years ended December 31, 2008 and 2007, respectively. The contracts have varying crediting interest rates which averaged 3.38 percent and 5.16 percent during the years ended December 31, 2008 and 2007, respectively. The crediting interest rates adjust on varying intervals by contract. There are no reserves against contract value for credit risk of the contract issuer or otherwise.

The Stable Value fund s key objectives are to provide preservation of principal, maintain a stable interest rate, and provide daily liquidity at contract value for participant withdrawals and transfers in accordance with the provision of the Plans. To accomplish these objectives, the Stable Value fund invests primarily in investment contracts such as traditional guaranteed investment contracts (GICs) and wrapper contracts (also known as synthetic GICs). In a traditional GIC, the issuer takes a deposit from the Stable Value fund and purchases investments that are held in the issuer s general account. The issuer is contractually obligated to repay the principal and a specified rate of interest guaranteed to the Stable Value fund.

NELSON RETIREMENT AND SAVINGS PLAN