

PENSIONS NEWSLETTER

**THE YEAR'S FINANCIAL
HIGHLIGHTS**
To 31 December 2017

The value of the RBP section
of the Plan's assets stood at
£71.8 million.

Company contributions
totalling £1 million were
paid into RBP section.

Pensions and other
benefits paid to members
amounted to £3.9 million.

A MESSAGE FROM THE CHAIR OF THE TRUSTEE, LEONORA SCAIFE

I am pleased to be able to provide the latest Newsletter for the RBP Section of the AMG UK Group 2006 Pension Plan ("the Plan").

Brexit

The ongoing Brexit negotiations continue to create significant economic uncertainty in the UK (and elsewhere) which in turn has the potential to affect the Plan's investments. The Trustee already has a robust investment strategy in place which has served the Plan well over the last few years, including in the last twelve months. Nonetheless, with the help of our advisers, we continue to closely monitor our strategy with a view to protecting the best interests of the Plan and the members. We have summarised the Plan's investment strategy and recent performance under the Investments section of this Newsletter.

New Actuarial Valuation

Next year, the Trustee will be undertaking the triennial Actuarial Valuation of the Plan as at 31 December 2018. The Actuarial

Valuation is fundamental to the operation of a defined benefit pension scheme such as the RBP. It is a detailed three-yearly assessment of the funding status of the RBP. In simple terms, the valuation compares all the projected future benefit payments promised from the Plan against the projected future asset holdings held by the Plan to meet those payments. The difference is either a deficit or a surplus. These results in turn drive the contribution requirements from AMG Superalloys UK Limited. The complexity of the valuation exercise means that the Trustee must appoint a designated qualified Actuary to carry out the work which should be completed within 15 months of the valuation date.

In years where a full valuation is not carried out, the Trustee is required to obtain an annual 'roll-forward' update of the results of the last Valuation. The results of the latest update as at 31 December 2017 are summarised in the Summary Funding Statement on page 5.

Integrated Risk Management

The Trustee Directors have always considered as important the interaction between investment strategy, funding strategy and, ultimately, the strength of the principal employer (AMG Superalloys UK Limited) standing behind the Plan. In short, they recognise that any change in one can have an impact on the others.

The Pensions Regulator recently asked UK trustees to make explicit allowance for these inter-related risks ("Integrated Risk Management" or "IRM" as it is known) in managing their pension schemes.

The Trustee Directors documented their thinking in a detailed IRM policy towards the end of 2017. This has directly led to the regular formal assessment of the financial position of AMG against a number of defined metrics to ensure that there are no changes in the position of AMG that might suggest any changes to the investment or funding strategy.

General Data Protection Regulation (GDPR)

The enormous amount of member data held by UK pension trustees and related third parties to run pension schemes means that GDPR is a very important issue for the Trustee. Accordingly, the Trustee Governance Sub-committee (which met for its first annual meeting in Autumn of 2017 and subsequently in September 2018) has spent a lot of time ensuring that the Plan meets the new requirements. So, although GDPR represents yet another layer of compliance and regulation, it has helped the Plan to further improve its data protection policies and procedures in a world where data risk is ever present and growing. We have included some more information on GDPR later in this Newsletter.

We hope you find the Newsletter useful and informative and would welcome any feedback that you may have on its content. If you should have any comments on the report or questions for the Trustee, you should contact the Secretary to the Trustees, Charles George at Jardine Lloyd Thompson, The St Botolph Building, 138 Houndsditch, London, EC3A 7AW.

Pension Scams

We wanted to take the opportunity to warn you again about pension scams. You will see advertisements encouraging you to transfer your pension benefits to receive cash or promoting investment opportunities. These are often expensive ways to access your money or in some cases highly risky. Pension liberation can result in tax charges and penalties of more than half the value of your pension savings, and those being targeted are usually not being told about these potential tax implications. If something sounds too good to be true, it probably is!

Scam tactics can include:

- contact out of the blue
- promises of high /guaranteed returns
- free pension reviews
- access to your pension before age 55
- pressure to act quickly

To reassure you, JLT, the Plan's administrator, is alert to this danger and has introduced additional safeguards to its procedures to help identify potentially fraudulent activity. If you are considering transferring your pension benefits out of the Plan, please make sure you seek independent financial advice.



The Trustee

The Trustee Company, AMG UK Group Pension Trustee Limited, has a responsibility for ensuring that the Plan's assets are held and managed independently of AMG. The Trustee's other responsibilities include ensuring that benefits due are paid on time and that adequate contributions are received in order to finance the benefits.

The current individual Trustees Directors are as follows:

Leonora Scaife – Employer Nominated Director

Emily Webster – Employer Nominated Director

Sam Scarfe – Employer Nominated Director

John Murrie – Member Nominated Director

John Bradbury – Member Nominated Director

Steve Wordsworth – Member Nominated Director

The year's financial highlights from the Accounts

At the accounting year end, 31 December 2017:

- The value of the RBP section of the Plan's assets stood at £71.8 million at the year end.
- Company contributions totalling £1 million were paid into the RBP section.
- Pensions and other benefits paid to members amounted to £3.9 million.

Running the Plan

The Trustee Directors are responsible for managing the Plan in accordance with the Plan's governing documents and prevailing law. They also have a duty to act in the interests of all members of the Plan which includes former employees with deferred accounts and pensioners.

To meet these responsibilities the Trustee Directors meet with the Plan administrators, consultants and other advisers at least three times each year. The Trustee Directors also meet amongst themselves on a regular basis.

In order for the Trustee Directors to manage the Plan correctly, they have appointed a number of professional advisers to whom they have delegated certain duties including auditors, legal advisers and the Plan Actuary, Andrew Firbank FIA, who is responsible for assisting the Trustee Directors with the Triennial Actuarial Valuation.

Investments

Asset Value

The market value of the RBP's assets increased by £1.5 million over the accounting year, to £71.8 million. This increase in value of the assets was predominantly due to the investment performance of the Plans' assets over the year. Since the accounting year end, the market value of the RBP's assets has decreased to £68.5 million as at 31 August 2018.

The value of the assets should always be considered in conjunction with the Plan's liabilities. More information about the value of the liabilities relative to the assets is set out in the Summary Funding Statement.

Investment Strategy

The Plan's investment strategy continues to be based around the use of Diversified Growth Funds (DGFs), Liability Driven Investments (LDI) and Multi Asset Credit Funds (MAC).

DGFs aim to give equity like returns in the long run, but with lower short term volatility. LDI funds provide greater protection than traditional bond funds against key financial factors that drive changes in the cost of providing the pensions promised by the Plan. MAC funds use a diversified mix of bond investments and aim to give a lower level of investment growth than the Plan's DGFs, but with a greater reduction in the level of volatility.

Investment Performance

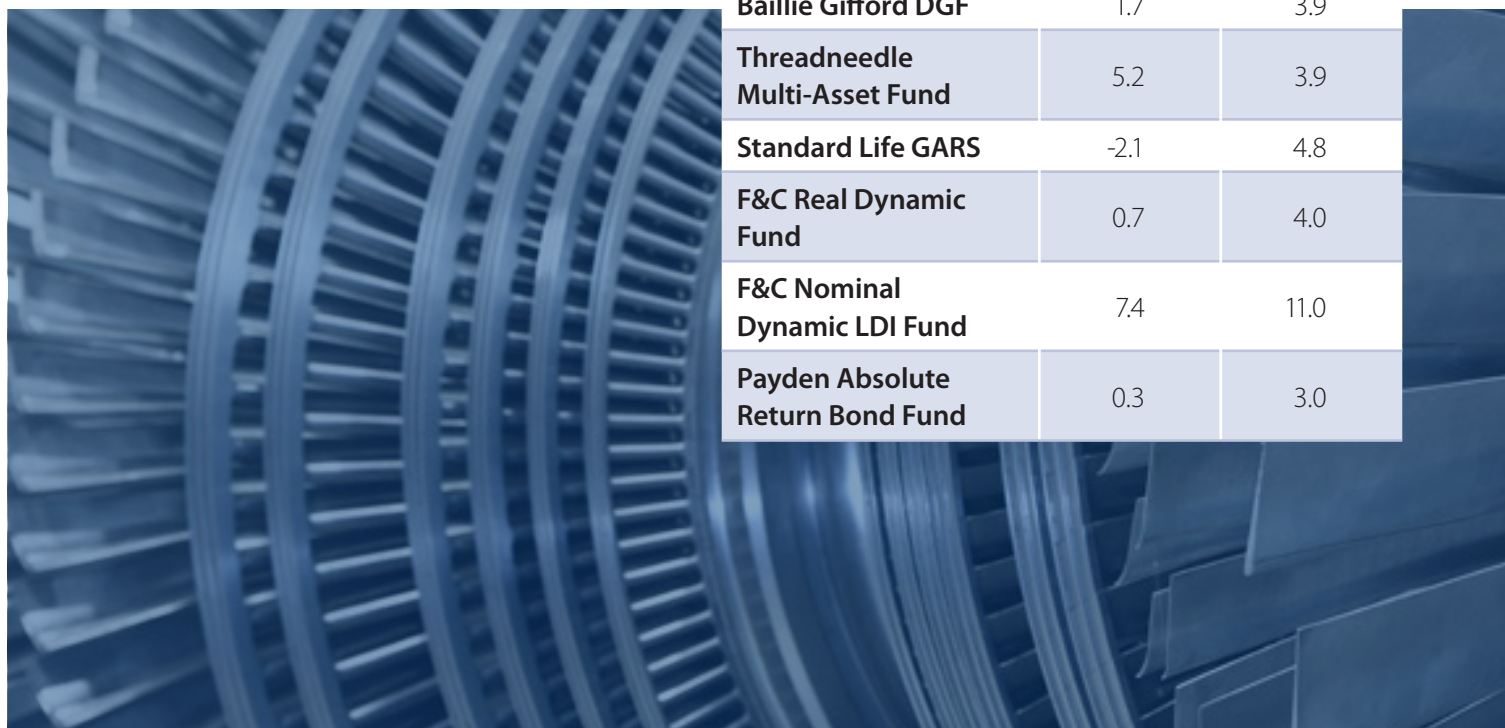
The Plan's investments are invested through the JLT Investment Platform. One of the benefits of this arrangement is that JLT will monitor the underlying investment managers and will replace the manager if JLT has significant concerns about its ability to deliver the fund's objectives.

The Trustee Directors also monitor the performance of the Plan's investment managers at every meeting.

There was no change to the Plan's strategy over 2017, however in Q2 2018, JLT downgraded its view of the Standard Life GARS Fund and proposed that action should be taken. Based on advice provided by JLT, the Trustee Directors have decided to disinvest from this fund and use the proceeds to increase the Plan's allocation to MAC by investing in the Investec Global Target Return Fund, and also to top up the allocation to the Baillie Gifford DGF. These strategic changes will increase the overall diversification of assets in the portfolio and are currently in the process of being implemented. Further information will be provided in next year's newsletter.

The performance of the funds (net of fees) for the year to 30 June 2018 is as follows:

	Fund (%)	Benchmark (%)
Baillie Gifford DGF	1.7	3.9
Threadneedle Multi-Asset Fund	5.2	3.9
Standard Life GARS	-2.1	4.8
F&C Real Dynamic Fund	0.7	4.0
F&C Nominal Dynamic LDI Fund	7.4	11.0
Payden Absolute Return Bond Fund	0.3	3.0



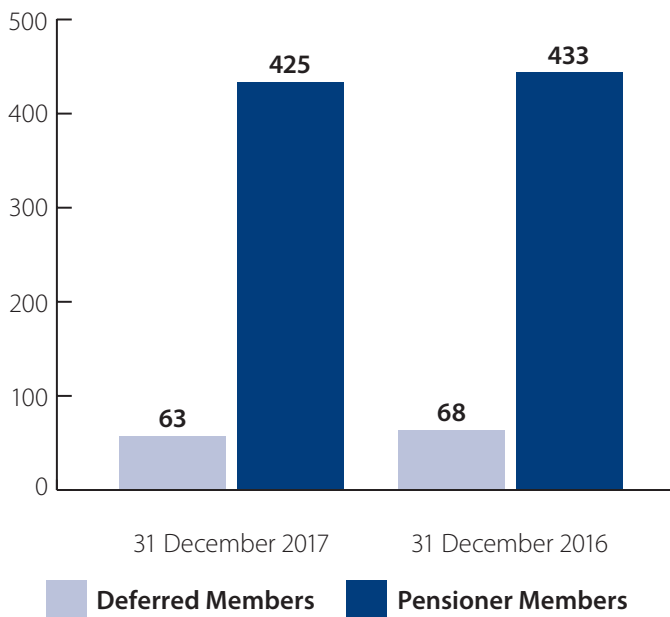
Pension Increases in deferment

The rules of the Plan make provision for some pensions to be protected against inflation in the period from the date pensionable service ceases to the date the pension is put into payment in line with the requirements under pension's legislation. That inflation protection, under pensions legislation, is by reference to the RPI for all leavers after the 1 January 1991. If you left the Plan prior to 1 January 1991, the inflation protection is by reference to RPI for periods up to 31 December 2010 and to the Consumer Prices Index (CPI) for periods commencing on or after 1 January 2011.

For the avoidance of doubt if there is any difference between the contents of this report in this respect and the Plan's formal trust deed and rules (as amended from time to time), the latter will prevail.

How many members?

At the end of the accounting year 31 December 2017 the RBP had 63 deferred members and 425 pensioner members. Comparative figures as at 31 December 2016 are 68 deferred members and 433 pensioners.



A pensioner member is someone who is already in receipt of a pension from the Plan. All of the remaining members of the RBP section of the Plan are deferred members because pensionable service has ceased and no further employee contributions are payable. Deferred members retain a right to their benefits which will come into payment in the future.

Retirement Options

If you have not already retired you will have the following options when you retire:

- Take your full pension.
- Take a cash lump sum (currently tax free) and a reduced pension.
- Transfer funds to another pension Plan (which would require independent financial advice if the value is over £30,000).

Pension Increases in payment

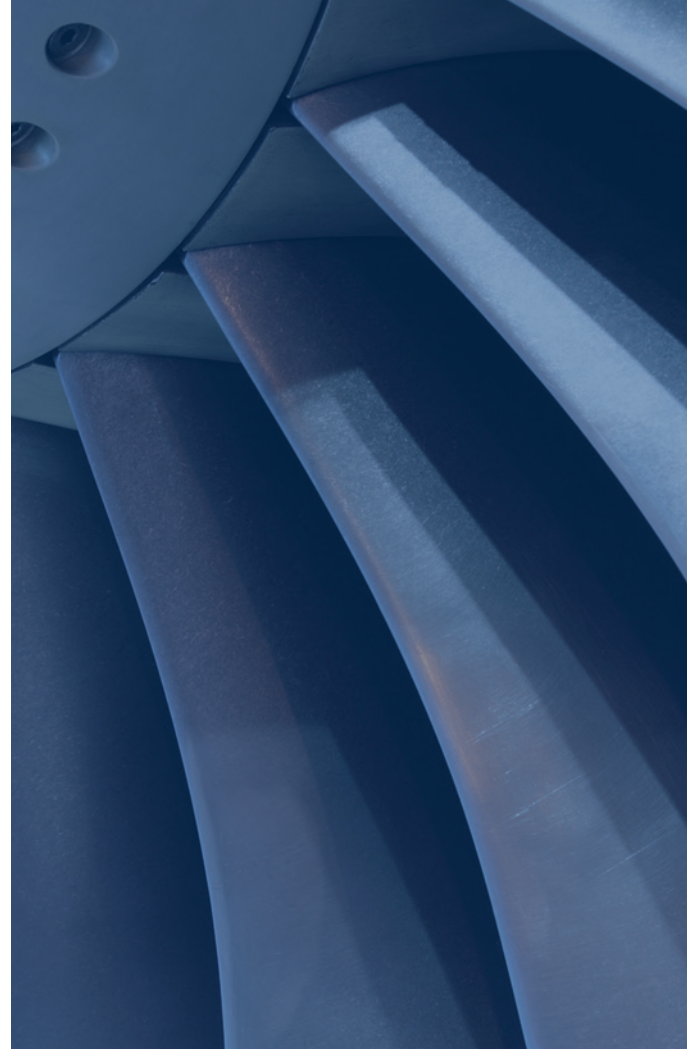
Pensions under the RBP increase on the 15 April each year, at the following rates:

For members who left prior to 6 April 1988

- 3% per annum

For members who left after 6 April 1988

- 5% for service completed prior to 1 January 2000
- In line with the increase in the Retail Prices Index to a maximum of 5% for service completed after 1 January 2000.



Summary Funding Statement as at 31 December 2017

Actuarial Valuation

The Trustee is now able to present the results of the latest actuarial valuation as at 31 December 2017.

As previously advised, AMG UK voluntarily agreed with the Trustee an adjustment to the demographic assumptions used to place a value on the Plan's benefits, in order to provide an additional margin of prudence in the way we fund the Plan. This additional margin has been implemented to give an additional layer of comfort to members.

The funding position of the Plan as at 31 December 2017 and at 31 December 2016 was as follows:

Date of Assessment	31 Dec 2017	31 Dec 2016
Liabilities	£78.9m	£79.5m
Assets	£71.9m	£70.2m
(Shortfall)/Surplus	(£7.0m)	(£9.3m)
Funding level	91%	88%

It is pleasing to see that the funding level on the more prudent funding approach has improved to 91% over the year to 31 December 2017. The ongoing payment of deficit funding contributions and strong investment returns has more than offset the increase in the value placed on the liabilities over the period as a result of the fall in gilt yields and changes in other market conditions.

Although there is a deficit on this basis, it is important to understand that, in the first instance, AMG UK would have been required by legislation to pay a lump sum into the Plan to finance the deficit of £35.1 million, if it were able to do so. If AMG UK had gone out of business and was not able to pay the amount required to secure the benefits in full, the Pension Protection Fund (PPF), which was established by the Government in April 2005, would provide for a minimum level of benefit. If you would like to know more about the PPF then please visit their website at <https://www.pensionprotectionfund.org.uk/Pages/homepage.aspx>

AMG UK has agreed to continue contributing £1million per annum for the period to 31 August 2021, at which point it is anticipated that the increased deficit will be removed. AMG UK has also committed to pay into the Plan 10% of any dividends paid to shareholders from 1 January 2015.

The Trustee acknowledges AMG UK's ongoing commitment to support the Plan.

The importance of AMG UK's support

The Trustee's objective is to have enough assets to pay pensions now and in the future. However, success of the funding plan relies on AMG UK continuing to support the Plan because:

- AMG UK will be paying the future expenses of running the Plan on an annual basis.
- The funding level can fluctuate and where there is a funding shortfall AMG UK will usually need to put in more money.
- The target funding level may turn out not to be enough so that AMG UK may need to put in more money.

Payments to AMG UK

There have never been any payments to the AMG UK companies out of Plan funds.

Winding-up Valuation

Legally, we are required to provide members with the following information:

If the Plan had been wound up on the 31 December 2015, there would have been a deficit of around £35.1 million (assuming the assets of the Plan were used to secure members' benefits with an insurance company). The assets would have been sufficient to provide on average 67% of members' full benefits.

The fact that we have shown the winding-up position does not mean that AMG UK is actually thinking of winding-up the Plan

IMPORTANT

If you are thinking of transferring your benefits out of the Plan for any reason you should always consult a regulated Independent Financial Adviser, before taking any action. Indeed, if your transfer value from the RBP exceeds £30,000 it is now a legal requirement to seek such independent financial advice (and provide evidence of it), in order to transfer to a money purchase arrangement. A list of advisers can be found at <http://www.unbiased.co.uk/find-an-adviser> or you can telephone: **0330 1000 755**.

Some Key Pensions Matters

Retirement Guidance

Retirees must make important and sometimes complex decisions about what to do with their pension pots and how to make sure the money lasts for the rest of their lives.

All members are entitled to receive from the government free impartial guidance at the point of retirement about their benefit options. For more information, please visit www.pensionwise.gov.uk

Additional Support – Road to Retirement and the Pension Decision Service

To further support your decision-making, the Trustee continues to look at ways of improving Plan communications and the information available to members. In last year's Newsletter we informed you about our "Road to Retirement" service which supports members with regular communications in the run up to normal retirement age, helping and encouraging you to "think ahead".

In the last year, the Trustee has also rolled out a brand new "at retirement" service. This is called the Pension Decision Service. As part of this, you will be given access to a "Retirement Relationship Manager" who is able to give you guidance (but not advice) to help you navigate the choices about how to access your benefits. Full details are included with retirement quotations from our administrators, JLT.

You should be aware that guidance is not the same as financial advice. Guidance is less specific to you, whereas advice takes into account all your personal circumstances. You can find an independent financial adviser in your area by visiting www.unbiased.co.uk

Your Data

A new EU regulation on data protection came into effect on 25 May 2018. The General Data Protection Regulation (GDPR) replaces the existing EU regulation, which was over 20 years old, and it comes into force despite Brexit.

The Trustee can confirm that, in line with the requirements, any personal data it holds about the Plan's members is used only for the purposes of record keeping and paying benefits in accordance with the Rules and relevant legislation.

For the purposes of GDPR the Trustee, the Scheme Actuary and the Employer are regarded as 'data controllers'. JLT Benefit Solutions Limited are regarded as 'data processors'.

Your personal data will be held only for as long is necessary for the proper and compliant governance and administration of the Scheme.

A Privacy Notice has been sent to all members explaining your rights under the new Regulation.

Annual Allowance

The Annual Allowance is the level of pension savings that you can make, and your employer can make on your behalf, in any tax year that benefits from tax relief. The Annual Allowance reduced to £40,000 (from £50,000) with effect from 6 April 2014. There are no ongoing contributions to the Plan but you should be aware of the Annual Allowance in respect of any other pension schemes to which you contribute.

Pension Freedoms

Since the new 'Freedom and Choice' reforms came into effect on the 6th April 2015, there has been a lot of activity in the pensions market, with everyone getting to grips with the dramatic extension in the options available when deciding to take Defined Contribution (DC) benefits. Your RBP benefits are Defined Benefit (DB), but they can be converted to DC benefits should you wish to take a transfer value out of the Plan.

The biggest single change was removing the obligation for members of a DC arrangement to convert their pension savings into an income via an annuity, giving people the alternative of taking their savings as one or more cash lump sums instead.

Unless the value of your RBP benefits is trivial (£30,000 or less) then the only way to take your RBP pension entirely as a lump sum would be to transfer it into a DC arrangement first. The Trustee would urge you to seek independent financial advice before considering such an option. If your transfer value exceeds £30,000 you must evidence that you have taken appropriate independent advice, from a Financial Conduct Authority (FCA) authorised adviser to understand the financial implications of the transfer.

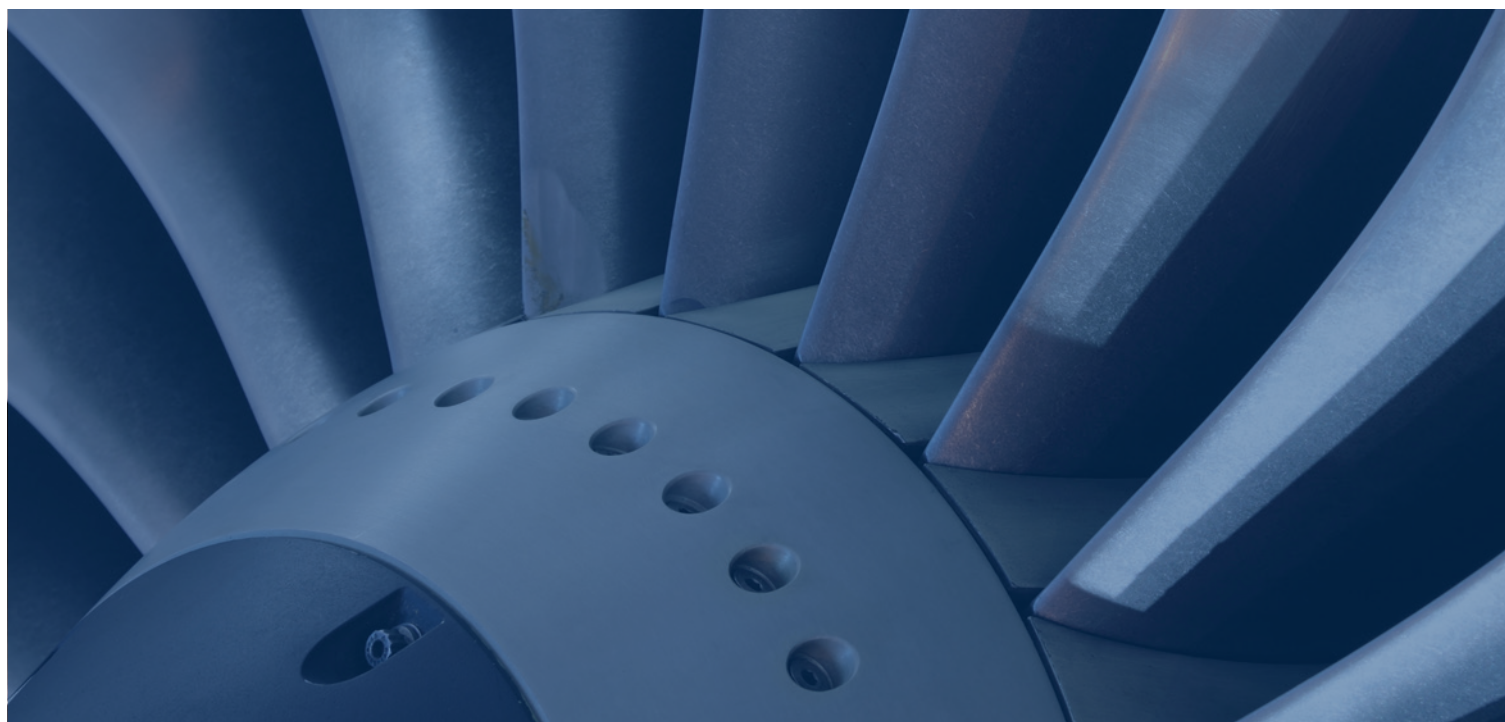
Lifetime Allowance Limits

The Lifetime Allowance is the total maximum amount of pension savings you can build up over your life that benefit from tax relief. The Lifetime Allowance is £1.03million for the 2018/19 tax year.

You should utilise the support available to you from the Plan via the Road to Retirement and Pension Decision Services to help you with these issues.

Anyone whose benefits exceed the Annual and/or Lifetime Allowance will suffer an additional tax charge on their benefits. If you think that this may affect you, the Trustee recommends that you seek financial advice. Further guidance can be found on the following website:

<https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance>



Summary RBP Accounts for the year to 31 December 2017

The following is an extract from the accounts for the year ended 31 December 2017. A full version is available upon request. Figures for the year ended 31 December 2016 are also provided for information.

	2017 (£)	2016 (£)
VALUE OF THE PLAN AT THE START OF THE YEAR	70,275,246	62,604,978
INCOME		
Contributions:		
<i>Company's:</i>		
Normal	-	-
Special*	1,000,000	1,000,000
<i>Members':</i>		
Normal	-	-
Investment Income	8,315	12,404
Transfers in	-	-
Other Income	-	-
Transfers between sections	13,011	56,869
Total Income	1,021,326	1,069,273
EXPENDITURE		
Benefits Payable	3,122,625	3,239,731
Payments to and on account of leavers	338,622	171,152
Investment management	51,874	
Insurance Premiums	96,309	65,429
Fees and Expenses	334,796	381,329
Total Expenditure	3,944,226	3,857,641
FUND BALANCE		
Income <i>less</i> Expenditure	(2,922,900)	(2,788,368)
Change in Market Value of Investments	4,416,709	10,458,636
VALUE OF THE PLAN AT THE END OF THE YEAR	71,769,055	70,275,246

* These are deficit funding contributions payable by the Employer in accordance with the Schedule of contributions and payments towards running the pension Plan.

General Information

State Pensions

Membership of the RBP does not affect your State pension entitlements. If you reached state pension age up to 6 April 2016, the State provides a flat rate Basic State Pension, and on top of this an earnings-related pension, the State Second Pension (S2P). It is no longer possible for members to contract out of the S2P. If you reach state pension age after 6 April 2016 the State provides the New State Pension.

It may be that you have gaps in your National Insurance contribution record. If this is the case, and you are concerned that your State pension will not be payable in full, then you should know that it is possible to make voluntary National Insurance contributions to increase your State benefits.

You can request a Pension Statement by using form BR19 which can be obtained from your local Department for Work and Pensions Office or can be obtained online at:

<https://www.gov.uk/government/publications/application-for-a-state-pension-statement>

From 6 April 2016 the State Pension changed for men born after 6 April 1951 and women born after 6 April 1953. The 'single-tier' state pension and from 6 April 2018 is £164.35 per week.

For those already in receipt the full old Basic State Pension the weekly pension payment is £125.95 from 6 April 2018.

The Pensions Advisory Service and the Pensions Ombudsman

From 1 April 2018, the Pensions Advisors Service's dispute resolution function was consolidated within the Pensions Ombudsman's offices. This means members will now be able to access all pension dispute resolution, previously handled by two services, in one place.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

State Pension Ages

The increase to State Pension Age for women commenced in 2010 in order to equalise with men. For women their State Pension Age is due to rise to 65 from 60 between 2010 and 2018. This affects women born after 6 April 1950.

Under current legislation, State Pension Age for both men and women is planned to increase to:

- 66 between November 2018 and October 2020
- 67 between 2026 and 2028
- 68 between 2044 and 2046

The government has also introduced a regular review of State Pension Ages. The first review took place in May 2017 and proposes an accelerated timetable for the rise in State Pension Age to age 68 taking place between 2037 and 2039. This change would affect everyone born between 6 April 1970 and 5 April 1978, whose State Pension Age is currently 67. The proposed change would have to be approved by Parliament and the Government will also have to carry out a further review by July 2023, before legislating the proposed changes for the rise to age 68.

You can find out when your State Pension Age is, by going to:

<https://www.gov.uk/state-pension-age>

The Pensions Ombudsman can be contacted at:

10 South Colonnade, Canary Wharf

London E14 4PU

T 0800 917 4487

E enquiries@pensions-ombudsman.org.uk

www.pensions-ombudsman.org.uk

Members can also submit a complaint form online:

www.pensions-ombudsman.org.uk/our-service/make-a-complaint/

The Pension Advisory Service continues to be a point of contact for any general requests for information or guidance concerning their pension arrangements and they can be contacted here:

The Pensions Advisory Service

11 Belgrave Road, London SW1V 1RB

T 0300 123 1047

www.pensionsadvisoryservice.org.uk

Pension Tracing Service

This Service enables members who lose contact with any previous employing company, to trace their pension benefits.

The address is:

The Pension Service 9

Mail Handling Site A

Wolverhampton

WV98 1LU

(Tel No. 0345 6002 537)

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

Additional documents available on request

The **Statement of Investment Principles**. This explains how we (the Trustee) invest the money paid into the Plan.

The **Schedule of Contributions**. This shows how much money is being paid into the Plan by AMG UK and the members, and includes a certificate from the actuary showing that it is sufficient.

The **Annual Report and Financial Statements**. This shows the Plans' income and expenditure for the last Plan year.

The full **Actuary's Valuation Report** following his check of the Plans' situation as at 31 December 2015.

Expression of Wish form

Your Expression of Wish form tells the Trustee Directors who you would like to receive any lump sum death benefits payable in the event of your death. Although the Trustee Directors have ultimate responsibility for deciding to whom the payment of the lump sum death benefits should be made, they will always try to take account of your wishes.

It is important for you to keep your Expression of Wish Form up to date. You should complete a new form if there is any change in your personal circumstances, which may affect your nomination, for example if you marry or have any children. Forms may be obtained from the Payroll Department or are available on Sharepoint under the Payroll tab. Completed forms should be placed in a sealed envelope (showing your name and the current date) before being returned.

Please note that your Expression of Wish Form is confidential and will only be opened by the Trustee in the event of your death.

Internal Disputes Procedures

If you have a complaint, you should contact Christine Allen at AMG UK who will make sure that your complaint is addressed in accordance with the procedures set out in the Internal Disputes Resolution Procedure.

Further Information

For more detailed information regarding any aspect of your Plan, please refer, in the first instance, to your Members' Booklet. However, if you have a particular question you would like answered, please contact:

Christine Allen
AMG Superalloys UK Limited
Fullerton Road
Rotherham
South Yorkshire
S60 1DL
Tel: 01709 833 754
Email: payroll@amg-s.com

Or

Matthew Pickett
Jardine Lloyd Thompson Benefit Solutions
St James's Tower
7 Charlotte Street
Manchester
M1 4DZ
Tel: 0161 931 4582

