

November 2017



# PENSIONS NEWSLETTER

For members of the Member Retirement Account (MRA) section  
of the AMG UK Group 2006 Pension Plan ("the Plan")

## A Message from the Chair of the Trustee, Leonora Scaife

**The Trustee is pleased to present the latest edition of the AMG UK Group 2006 Pension Plan ("the Plan") Newsletter.**

I am pleased to be able to report back on another very productive and positive year for the Plan in this latest AMG UK Group 2006 Pension Plan ("the Plan") Newsletter.

We launched a selection of new and enhanced investment choices for members at the end of 2016. As part of this exercise we also restructured and improved the default investment programme for those members who choose not to make active investment selections.

Communications has been a key area of focus for the Trustee this year – as well as supporting the new investment strategy launch, we have just introduced six-monthly investment performance reporting for the MRA and also made available the "Road to Retirement" and "Pensions Decision" services to help members navigate their increasingly complex choices at retirement. To draw together the various changes to the Plan and to the regulatory environment over the past five years or so, we expect to issue a new member booklet in the new year to bring everything right up to date.

Another important focus for the Trustee Directors last year was Plan governance. The Pensions Regulator's pursuit of "good member outcomes" for UK defined contribution schemes has led to the spotlight falling on how schemes are designed, run and governed. We think that members can be assured of the highest standards of governance for the Plan. To this end a governance sub-committee has been recently established and met for the first time in September 2017 to monitor, amongst other things, financial and administrative risks, the level of trustee expertise needed to effectively run the Plan, the suitability of its investments, including the level of charges imposed on members, the effectiveness of the communications, and the protection of member data.

Turning to wider matters, it remains difficult to discern the medium-to-longer-term fallout of Brexit, even one year on. In any case the Trustee continues to consult with its advisers and to work closely with AMG in order to monitor the Scheme's investments and liabilities in the post-Brexit environment.

The Trustee has been pleased to hear that there has been minimal impact to the Company as a result of the EU Referendum result. However, it is still the case that the longer-term implications for pensions in the UK will not become clear for some time.

During the year we were sad to see the departure of Paul Cooper from the Trustee board (and from the business) following his retirement. He leaves with our thanks and best wishes. However, we were pleased to welcome a new appointee, Emily Webster, in March.

The Member Nominated Director (MND) term of office for one of our long-standing Trustee Directors John Murrie expired in October 2017. We are pleased to announce that since carrying out an exercise to fill this position, John has been re-appointed as a MND for another five years.

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**

JLT Benefit Solutions  
The St Botolph Building  
138 Houndsditch  
London EC3A 7AW

## The Plan's Trustee

### The Trustee

The Trustee Company, the AMG UK Group Pension Trustee Limited, has a responsibility for ensuring that the Plan's assets are held and managed independently of AMG.

The number of Trustee Directors is six, and three of the six Trustee Directors are nominated by the members.

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

### Running the Plan

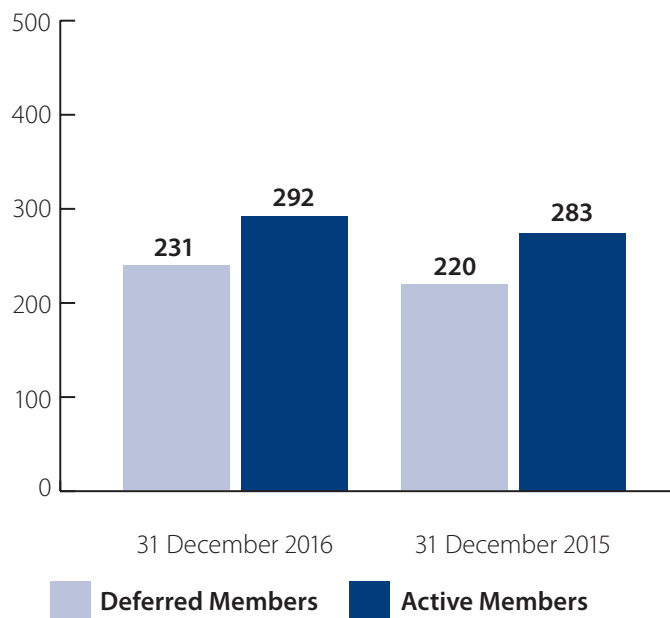
The Trustee Directors are responsible for managing the Plan in accordance with the Plan's governing documents and prevailing law. They also have a duty to act in the interests of all members of the Plan, who include former employees with deferred accounts and pensioners.

To meet these responsibilities the Trustee Company meets with the Plan administrators, consultants and other advisers at least three times each year. They 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. These include auditors and legal advisers.

## How many members?

At the end of the accounting year 31 December 2016, the MRA had 292 active members and 231 deferred members. Comparative figures as at 31 December 2015 were 283 and 220.



An active member is a current employee who is continuing to pay contributions. All other members of the MRA section of the Plan are deferred members because pensionable service has ceased and no further contributions are payable. Deferred members retain a right to their benefits, which will come into payment in the future.

### Salary Exchange – normal contributions

The Trustee would like to remind members of the benefits of Salary Exchange for all your contributions.

Salary Exchange is the default arrangement whereby members give up part of their salary in exchange for an equal contribution to the Plan from AMG UK. This results in potentially significant National Insurance savings for both you and AMG UK. What's more, AMG UK gives back half of its own savings into your MRA account. The net effect is that your take-home pay may rise and your pension will be enhanced.

Members are able to opt out of Salary Exchange if they wish, and in certain limited circumstances it may be in their interests to do so.

Remember, if you opt out of Salary Exchange you will forgo the National Insurance tax saving and supplementary AMG UK contribution.



## Pension Top-Up

Your Benefit Statement shows the pension and other benefits that you are building up in the Plan, but you may wish to build up extra benefits.

One tax-efficient way of doing this is by making Additional Voluntary Contributions (AVCs). AVCs are regular contributions that you may make, and they are invested in the same way as your normal contributions to the Plan.

Don't forget that you can contribute to a Personal Pension arrangement as well as, or instead of, making AVCs. There are many ways to save for retirement, and we would always recommend that you speak to a professional independent financial adviser if you require specific advice.

If you have not opted out of Salary Exchange and you pay AVCs, these will also be included for Salary Exchange in the same way as your normal contributions are.

If you are interested in paying AVCs, please either log on to Sharepoint, where you will find a form you can complete and return, or contact the HR Department or Payroll in Rotherham.

## Benefit statements

Your annual statement is prepared as at 6 April each year. Your statement explains the funds in which your Member Retirement Account was invested as at the previous 6 April. Your statement also includes a projection of what your pension is likely to be when you retire, expressed at today's value; **please be aware that this figure is not guaranteed.**

Having listened to feedback following the launch of the new MRA strategy at the end of 2016, we have for the first time this year included some investment performance commentary with the annual benefit statement to help members better understand how the investment managers looking after their money are doing. Going forward we will provide this information every six months (i.e. once a year alongside the annual statement and the other time on a stand-alone basis).

Members are reminded that the way in which contributions are invested is crucial to the benefits they will receive at retirement. The eventual 'value' of your MRA benefits is dependent on the amount of contributions paid in and the investment growth achieved on those contributions. If a member chooses to take their benefits as an annuity (a regular pension income for life), it will also depend on applicable annuity rates available at retirement (the rates used by insurance companies to convert retirement savings into a pension).

## Some Key Pensions matters

### Pension Freedoms - Retirement options

As a reminder, we set out below a summary of the options available **for all individuals aged 55 or over**. Please note that not all of these are currently provided from the Plan; see the table in the next section for details:

#### 1. PENSION AND CASH

Firstly, as you have always been able to do, you may use your pension savings to purchase an annuity which provides an income for the rest of your life, and the additional option of taking 25% of the account as a tax-free lump sum.

#### 2. SINGLE LUMP SUM PAYMENT

Sometimes dubbed "the Lamborghini Option"(!), since April 2015, you can now withdraw the full value of your pension savings as a one-off lump sum payment with 25% of this paid tax free and the remaining 75% subject to tax at your marginal rate. However, if you are thinking of doing this it is very important that you are aware of the implications, both from a tax and a future provision and income point of view. The Trustee would strongly advise any employee considering this option to seek independent financial advice.

#### 3. MULTIPLE LUMP SUMS

You can withdraw multiple lump sums (formally known as "Uncrystallised Funds Pension Lump Sums" or UFPLS). The first 25% of each withdrawal will be tax free with the remaining 75% subject to tax at your marginal rate.

#### 4. FLEXI-ACCESS DRAWDOWN

Finally, you can take 'Flexi-Access' Drawdown which allows you to withdraw lump sums as often as you like without restriction on the amounts. Using this option, you can choose to take up to 25% of your pension account as a tax-free lump sum. The rest is then moved into one or more funds that allow you to take a taxable income at times to suit you.

## What options will the Plan provide?

There are practical constraints in the way that pension schemes such as ours are administered, which means that offering full flexibility is not realistic. However, the Trustee is able to provide access to the new flexibilities on a limited basis and we summarise below what options the Plan provides:

WAYS TO TAKE PENSION	PLAN PROVIDES?
Pension (Annuity) and Cash	Yes
Single Lump Sum payment	Yes
Multiple Lump Sums (UFPLS)	Yes (see below)
Flexi-Access Drawdown	No

Please note that, within the Plan, the UFPLS option is restricted to a maximum of five payments with a minimum of £4,500 per payment and a maximum of one payment per year.

**In order to take advantage of the Flexi-Access Drawdown option you will need to transfer your pension savings into your own separate pension arrangement.**

## Additional support – Road to Retirement and Pension Decision services

AMG recognises how important decisions about your retirement are and has therefore agreed with the Trustee to cover the cost of providing access to important information and guidance as you approach your retirement date.

Earlier this year, if you were aged 50 or over at the time, you will have received some 'warm-up' information from the Plan highlighting some important things to think about on your 'road to retirement', signposting where support can be obtained where relevant. You will receive further communications as you get closer to retirement to help you start to shape your benefits as you get closer to drawing them. The key point is that, by thinking ahead, you've got the best possible chance of achieving the lifestyle you want when you finish work.

The second new service is at retirement itself. 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.

## General Data Protection Regulation

A new EU regulation on data protection will come into effect from 25 May 2018. The General Data Protection Regulation (GDPR) will replace the existing regulations, which are now over 20 years old, and it will come into force despite Brexit.

The regulation is intended to reflect the huge volumes of personal data now being transferred globally and the many new and different ways in which data is accessed. GDPR is designed to give individuals more rights including how consent is given for data to be processed.

It will also introduce new rules for data processors, including pension scheme administrators.

This is significant legislation for the Plan, and the Trustee is working hard with its advisers to make sure that the Plan is compliant by May next year. More information will follow on this in due course.

## Where to find out more

**If you are starting to think about your retirement we would recommend that you seek independent financial advice at an early opportunity.** The Trustee and the Company cannot give you personal financial advice but you can find a Financial Adviser or a Personal Tax Adviser in your area through the following online address:

[www.unbiased.co.uk/find-an-adviser](http://www.unbiased.co.uk/find-an-adviser).

Or, you can telephone: **0330 1000 755**

The Government has recently launched the "Pension Wise" information service which gives free and impartial guidance to DC members who are aged 50 and over. You can have a look at the service offered and book an appointment through the following online address:

[www.pensionwise.gov.uk/](http://www.pensionwise.gov.uk/).



## Annual Allowance

The annual allowance is a limit on the amount that can be contributed to your pension each year whilst still receiving tax relief. This has been progressively reduced over recent years, and for the 6 April 2017 to 5 April 2018 tax year the annual allowance is £40,000.

In addition to this, as a DC member, if you choose to access your pension savings using the new flexibilities described above, the annual allowance that any further contributions into a DC pension will be tested against reduces to £10,000. Finally, in the unlikely event you are still contributing to a DB pension arrangement, these contributions will be tested against a reduced annual allowance of £30,000.

## Lifetime Allowance Limits

The lifetime allowance is a limit on the amount of pension benefit that can be drawn from pension schemes overall without triggering an extra tax charge. With effect from 6 April 2016 this reduced from £1.25 million to £1 million and remains at this level for the 2017/18 tax year.

For lifetime allowance purposes, the calculation of the value of your benefits will depend on whether you are referring to MRA or legacy Retirement Benefit Plan (RBP) benefits. For the MRA, the calculation is simply the value of the pension pot when benefits are drawn. If you built up benefits in the RBP before it closed in 2006, or in a previous employer's scheme, you will need to undertake a calculation of the likely value of that benefit – put simply **the 'value' of the RBP pension is 20 times the annual pension payable from the RBP.**

Here is an example of the calculation for an individual with both RBP and MRA entitlements.

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**Value of individual Member Retirement Account:  
£150,000**

**Pension expected from RBP: £15,000 pa  
so £15,000 \*20 = £300,000**

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**The total value of benefit to be compared with the  
current lifetime allowance of £1 million is £450,000.**

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## Expression of Wish form

**Your Expression of Wish form tells the Trustee 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. A form is enclosed with this newsletter and also may be obtained from the Payroll Department or 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.**

## Watch out for pension scams!



The Trustees operate the Plan in your best interests. With this in mind, we would like to warn you to be careful if you are considering a transfer. 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 a member's 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!

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.

## Investments

### Asset Value

The market value of the MRA's assets increased over the accounting year from £15.6 million as at 31 December 2015 to £19.2 million as at 31 December 2016. Please note this figure is different from that given in the Summary MRA Accounts opposite as this figure does not include external AVC values. The market value of the MRA's assets was £20.9 million as at 31 August 2017.

### Investment Strategy

The Trustee finalised its investment review and informed members of the changes during Q4 2016, with the implementation of the changes to investments being concluded in Q1 2017.

The changes included a revision to the default life-styling programme, the MRA Lifestyle Strategy. This is the investment approach for MRA members who choose not to, or feel unable to, make their own investment decision. It has been revised to reflect the benefits that are expected to be drawn as a result of the additional pension flexibilities that came into effect in April 2015.

The MRA also makes a range of alternative funds available, so that members can choose to invest in higher or lower risk funds, or tailor their own life-styling as they approach retirement. The fund range was extended to include:

- The MRA Diversified Fund, which is a scheme-specific fund designed to provide investment growth with less volatility than equities through access to a diversified range of investments within a single fund.
- A Pre-Retirement Fund, which aims to provide exposure to assets that move in a similar way to changes in annuity prices.

If you wish to alter your investment choices, or would like more information on the funds available over and above that provided with this Newsletter, please contact Christine Allen in Rotherham (see contact details at the end).

### Investment Performance

On the right we show investment performance of the funds available to members.

It should be noted that a fund's performance over a particular time period is no predictor of what returns it will achieve in the future. Investment decisions should be driven by considering the types of assets that are invested in, the levels of risk expected, and which are more suitable for your own attitudes to risk and your retirement plan.

	YEAR ENDING 31/12/2016		YEAR ENDING 31/12/2015	
	Fund %	Index %	Fund %	Index %
<b>Global Equity 50:50 Index</b>	21.8	21.7	3.6	3.7
<b>UK Equity Index</b>	16.8	16.8	1.0	1.0
<b>UK Smaller Companies Index</b>	14.4	14.3	8.9	9.2
<b>Ethical Global Equity Index</b>	27.6	27.5	5.1	5.4
<b>North American Equity Index</b>	34.1	34.1	5.1	5.3
<b>Europe (ex UK) Equity Index</b>	19.4	19.4	5.8	5.8
<b>Property</b>	2.1	2.6	11.7	12.5
<b>Cash</b>	0.4	0.3	0.3	0.4
<b>Annuity Protection Fund</b>				
<b>Over 5 yr index linked Gilts</b>	27.4	27.4	-1.3	-1.2
<b>Corporate Bond over 15 yr</b>	18.3	18.1	-0.7	-0.7
<b>Over 15 yr Gilts</b>	18.5	18.5	0.0	0.1
<b>Asia Pacific Index Fund</b>				
<b>Japan Equity Index</b>	22.7	22.7	17.4	17.6
<b>Asia Pacific (ex Japan) Equity Index</b>	31.7	31.5	-4.7	-4.5

Please note that performance for the MRA Diversified Fund is not shown, as it is bespoke to the MRA and was launched in December 2016. Performance for the six months to 30 June 2017, however, was 4.8%.

### Contributions, investment and choice

The Trustee encourages all members to understand the design of the Plan, how it operates if you take no actions, and how you can influence the outcome by assessing your contributions and fund selections.

No two members have the same circumstances and requirements in retirement, so it places a great deal of responsibility upon you to review your situation on a regular basis. The MRA Member Guide will help you understand your investment options.

The decision over which fund or funds to invest your contributions, and those of your employer, can be a difficult one. The Trustee cannot provide personal advice on the adequacy of the contributions or on investments. We reiterate that you should consider consulting with an Independent Financial Adviser. It would be appropriate to consider advice if, for example, you are planning ahead for your retirement, to determine appropriate contribution levels or investment choices, or are considering a transfer either into or from the MRA. Independent financial advice is also likely to be

appropriate when you come to set up your retirement income, or in the run-up to your retirement, to ensure that your investment choices are reflective of the benefits you expect to draw. In this, you should utilise the support available to you from the Plan via the Road to Retirement and Pension Decision services.

If you would like details of local IFAs you can find these on [www.unbiased.co.uk](http://www.unbiased.co.uk).

## Summary MRA Accounts for the year to 31 December 2016

The following is an extract from the accounts for the year ended 31 December 2016. A full version is available upon request. Figures for the year ended 31 December 2015 are also provided for information.

	2016 (£)	2015 (£)
<b>VALUE OF THE PLAN AT THE START OF THE YEAR</b>	<b>15,936,716</b>	<b>14,933,026</b>
<b>INCOME</b>		
<b>Contributions:</b>		
<i>Company's:</i>		
Normal	902,050	853,381
<i>Members':</i>		
Normal	431,963	410,075
Additional Voluntary Contributions	38,107	30,049
Investment Income (interest on bank accounts)	21	28
Transfers in	–	41,451
Transfers between sections	(56,869)	(75,849)
Claims on Term Insurance policies	–	–
Compensation receipt	–	–
<b>Total Income</b>	<b>1,315,272</b>	<b>1,259,135</b>
<b>EXPENDITURE</b>		
Benefits Payable	328,277	240,291
Payments to and on account of leavers	398,160	473,373
Fees and Expenses	–	–
<b>Total Expenditure</b>	<b>726,437</b>	<b>713,664</b>
<b>FUND BALANCE</b>		
Income <i>less</i> Expenditure	588,814	545,471
Change in Market Value of Investments	3,259,927	458,219
<b>VALUE OF THE PLAN AT THE END OF THE YEAR</b>	<b>19,785,478</b>	<b>15,936,716</b>

## General Information

### State Pensions

Membership of the MRA 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 State Pension statement by using Form BR19 which can be obtained from your local Department for Work and Pensions Office or online at:

[www.gov.uk/government/publications/application-for-a-state-pension-statement](http://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 Government introduced a 'single-tier' State Pension, which from 6 April 2017 pays a 'full level' of £159.55 per week.

From 6 April 2017 the Basic State Pension for anybody who was already receiving State Pension prior to 6 April 2016 is £122.30 per week.

### 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:  
[www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age).

### 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 600 2537

or visit the 'Find a lost pension' section of  
[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details).

### Additional documents available on request

**The Statement of Investment Principles.** This explains how we (the Trustee Directors) 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.

### 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](mailto:payroll@amg-s.com)

Or

#### Matthew Pickett

JLT Benefit Solutions  
St James's Tower  
7 Charlotte Street  
Manchester M1 4DZ  
Tel: 0161 931 4582