



AMG UK GROUP 2006  
PENSION PLAN  
JLT PRESENTER - JLT



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# 1 INTRODUCTION

# 2 WHAT IS A PENSION?

- Pensions might seem complicated but the basic idea is a simple one.
- A pension is simply a form of saving that has generous tax benefits.
- It's worth understanding your benefits
- Your State Pension – while providing a foundation – is unlikely to be enough to live on.
- You may need to save more.



## Defined Contribution – Member Retirement Account (MRA)

**The income you receive depends upon:**

- The contributions made into it
- How well the investments perform
- What you do with with plan post age 55
- How much you take as cash, up to 100%

## Defined Benefits – Retirement Benefits Plan (RBP) (Legacy)

**The income you receive depends upon:**

- How long you worked for your employer
- The ‘accrual rate’ of the Plan
- The definition of salary used
- How much cash you decide to take, with reduced income

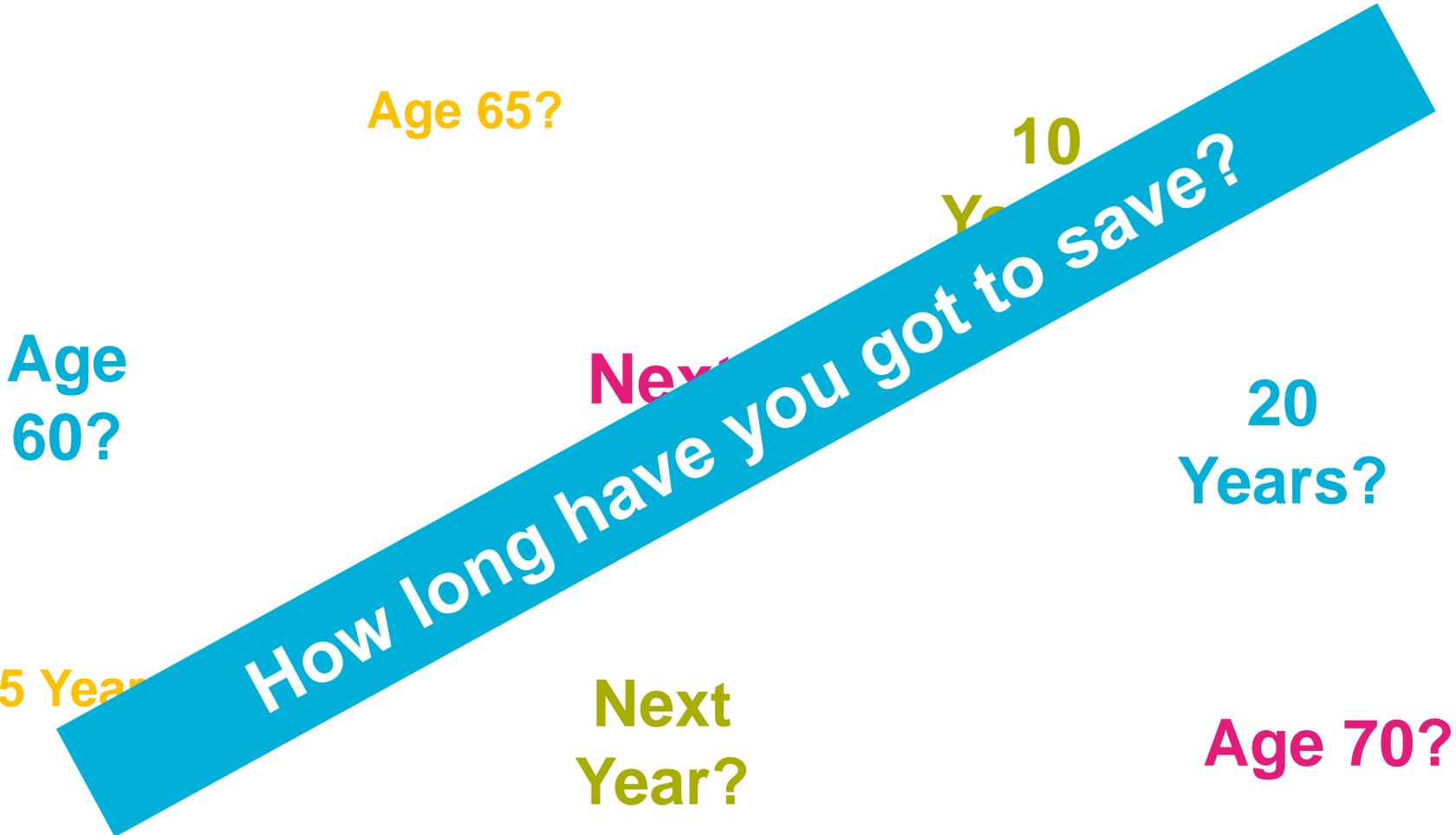
# 3 WHY IS PLANNING SO IMPORTANT?

More than two-thirds (69%) of working age people are worried about running out of money in retirement, while 66% are concerned about having enough money to live on day-to-day in later life.



'Reproduced with permission from The Future of Retirement A balancing act, published in 2015 by HSBC Holdings plc.

# When do you want to stop working?



# THE PATTERN OF YOUR EXPENDITURE WILL CHANGE



Mortgage



Mobile



Eating out



Car



Bills



Going out



Hobbies



Savings



Holiday



Groceries



TV



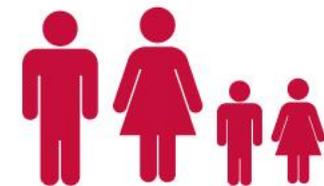
Transport



Education



Gifts

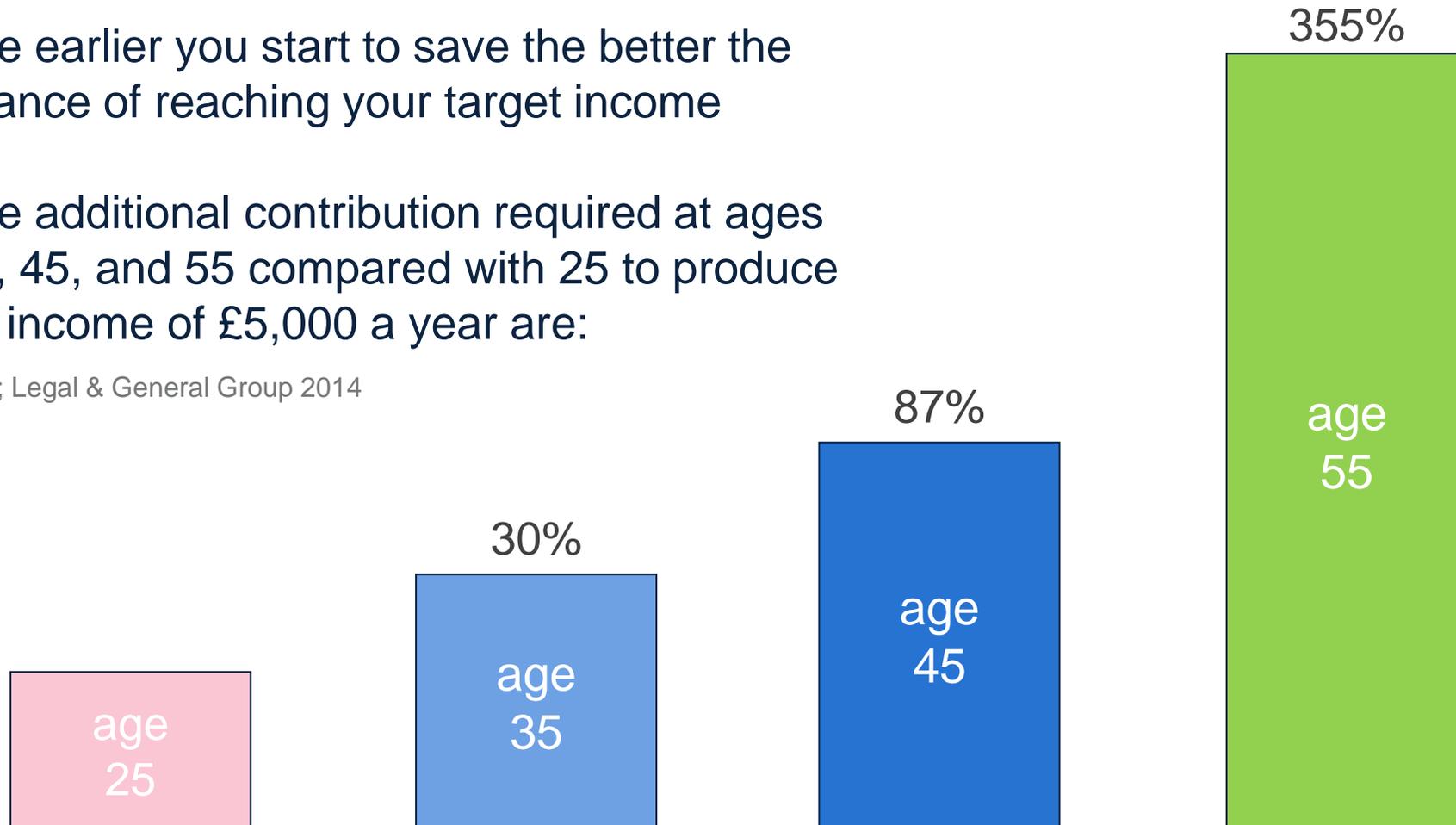


Grand children

# Don't wait too long

- The earlier you start to save the better the chance of reaching your target income
- The additional contribution required at ages 35, 45, and 55 compared with 25 to produce an income of £5,000 a year are:

Source; Legal & General Group 2014



Non-indexed pension of £5,000 from age 65 paid monthly in advance, single life, not guaranteed. Ultimate pension payable will depend on investment growth and tax treatment of the investment – you may get back more or less than the amounts shown.

# 4 CURRENT STATE PENSION

- A **single-tier, flat-rate State Pension**, which has replaced the basic and additional pensions from April this year
- Paid to people with at least **35 years** National Insurance (NI) contributions or credits.
- People will need at least **10 years of contributions** to be eligible to receive a state pension
- You may get more or less if you have contributions or credits from before April 2016.
- Anyone who has already built up a NI record will have a **'starting amount'**.



- **Find out!**
- **Request your State Pension Statement**

## State Pension statement



**Please keep these notes for your information**

**What is a State Pension statement?**  
A State Pension statement will give you an estimate of how much State Pension you may get when you reach State Pension age. The estimate will be based on your National Insurance contribution record as it stands on the date the statement is produced.  
Your State Pension statement is not a guarantee. The amount you get when you claim your State Pension may be different from the amount on your statement. You may want to get financial advice before making decisions based on your State Pension statement.

**Who can get a State Pension statement?**  
You can get a State Pension statement if you are aged 16 or over and at least 30 days away from your State Pension age when we look at your application.

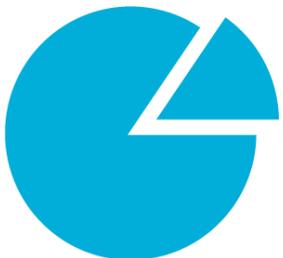
**Completing the form**  
You must sign the form in **Part 7** –if you do not your application may be delayed.  
If you need any help, please call us on **0345 3000 168** (if you live in the UK) or **+44 191 218 3600** (if you live outside the UK). You can use the **0845** code to call our **0345** number. Check with your phone company which code is cheaper for you. You can also write to us at:

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

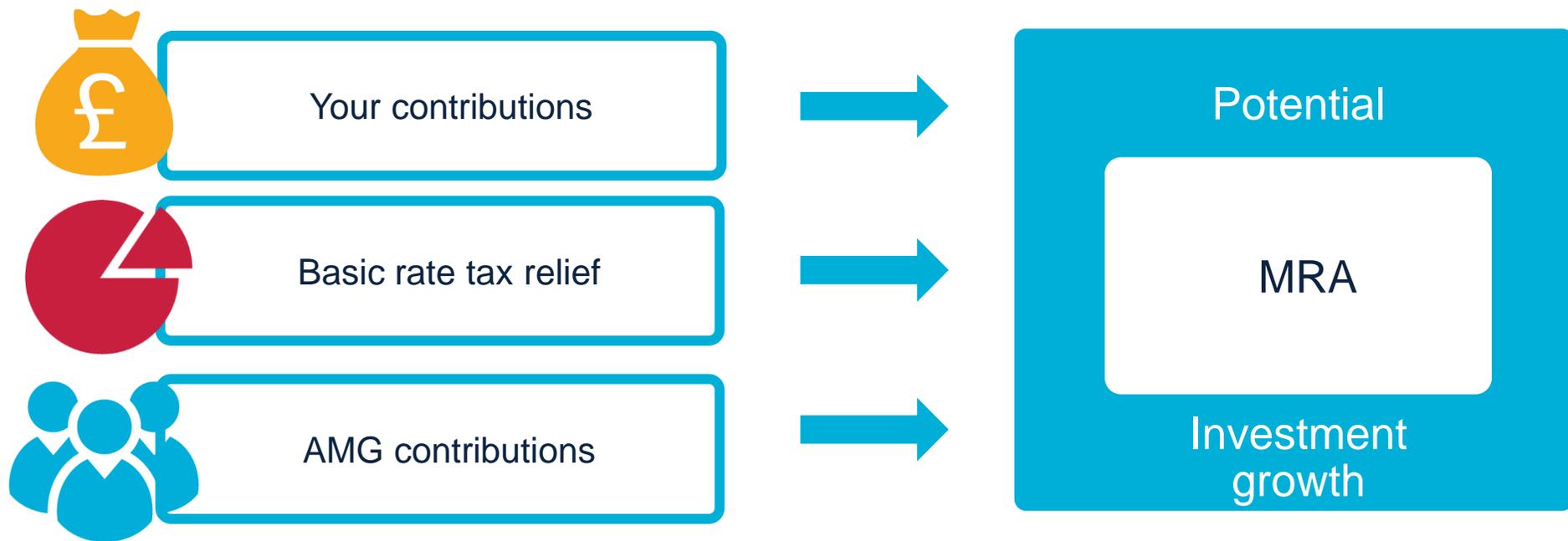
# 5 THE MEMBER RETIREMENT ACCOUNT (MRA)

## *The Plan is a Defined Contribution Plan*

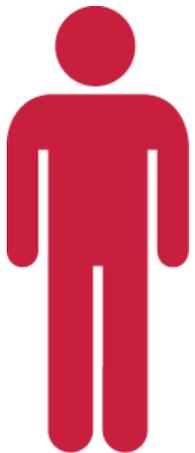
- The Plan is established under **Trust**
- Remains separate from the assets of AMG, is managed by a Trustee
- The Trustee's **duty** is to ensure the Plan is run in accordance with its Rules
- With this type of arrangement your contributions, together with those from AMG are paid into an account in your name (i.e. the MRA).



# HOW THE MRA WORKS



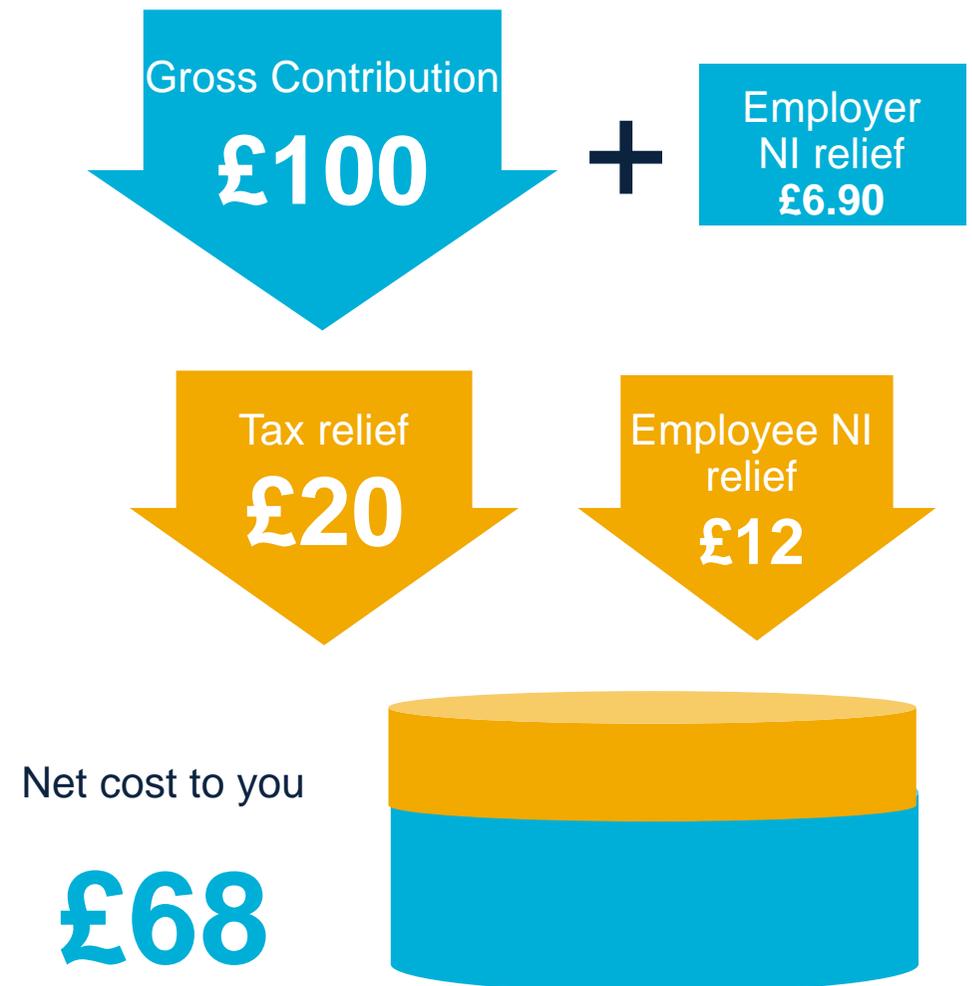
Salary Exchange is an agreement between **you** and **AMG** to **reduce your salary** by the equivalent pension contribution before it is paid to you



## Traditional Method



## Salary Exchange



Can I pay Additional Voluntary Contributions (AVC) via Salary Sacrifice?

- Yes. You can make an AVC election
- Elections to pay AVC's through Salary Sacrifice will operate in the same way as outlined for regular contributions

# THE MRA BENEFIT STATEMENT



**AMG UK Group 2006 Pension Plan**  
**("the Scheme")**  
**Benefit Statement as at 6 April 2016**

## Personal Details

Name		X
National Insurance Number		X
Sex		X
Date of Birth		X
Date Pensionable service commenced	1 June 2006	
Normal Retirement Date		X
Gross Earnings	£33,722.89	
Pensionable Salary	£27,898.89	

## Contributions Received in the Last Scheme Year to 6 April 2016

Employer Contributions	£4,057.38
Salary Exchange	£1,952.37
<b>Total Contributions</b>	<b>£6,009.75</b>

# THE MRA BENEFIT STATEMENT



Contributions received are invested in accordance with the following table:

<b>Contribution type</b>	<b>Investment Fund</b>	<b>Percentage</b>
Regular Contributions	Annuity Protection Fund	60.00%
	Cash Fund	10.00%
	Global Equity Index Fund	30.00%

## Value of your Retirement Account ("your Account")

<b>Investment fund</b>	<b>Units</b>	<b>Unit Price</b>	<b>Value</b>
Annuity Protection Fund	22,121.983214	£2.05177	£45,389.22
Cash Fund	1,185.963455	£6.34402	£7,523.78
Global Equity Index Fund	9,414.743898	£2.40201	£22,614.31
<b>Total value of your Account as at 6 April 2016:</b>			<b>£75,527.31</b>

# THE MRA BENEFIT STATEMENT



## Transfer Value

Transfer value available as at 6 April 2016	£75,527.31
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## Death Benefits



If you die whilst still in the service of the Company before your Normal Retirement Date, then based on your Gross Earnings, a lump sum will be payable of:	£269,783.12
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This statement should be read in conjunction with the Benefit Statement Notes, the Illustration of Your Benefits and the Scheme literature.

The information is provided only for the purposes of this statement and does not represent a promise or guarantee as to the amount of benefit which may be payable from the Scheme. It should not be regarded as the only basis for reviewing your pension arrangements.

## Illustration of Your Benefits at Normal Retirement Date Prepared as at 6 April 2016



Your Employer's current annual contribution rate	21.45%
Your own current annual contribution rate	0.00%
Your Normal Retirement Date	X
On the illustration assumptions explained in the attached notes, the following benefits would be payable at your Normal Retirement Date.	
<b>An annual pension of:</b>	<b>£2,950.00</b>
<b>And an annual spouse's pension on death after retirement of:</b>	<b>£1,470.00</b>
All pensions to increase in payment in line with inflation.	

# 6 PENSION FREEDOMS

- **Radical changes** to the tax framework for pension savings from **6 April 2015**
- **Freedom** on how and when to access your benefits **from age 55**
- **Flexibility** to take fund as cash, buy a taxable income and/or buy a drawdown product
- **First 25%** of cash will continue to be **tax free**; balance taxed at individual's marginal rate.

# Pension Freedoms Options (1): Pension and Cash



**YOUR PENSION SAVINGS ARE A CUPCAKE**



**25%**

**TAX FREE CASH**



**75%**

**TAXABLE AS INCOME**

**HOW WOULD  
YOU LIKE  
YOUR CAKE?**



**WHOLE  
CAKE**  
SINGLE CASH LUMP SUM

## **SINGLE LUMP SUM PAYMENT**

- You can withdraw your pension pot as a one off lump sum without having to take an annuity
- Normally 25% will be tax free with the remaining
- 75% subject to the highest rate of income tax that you pay.

## **MULTIPLE LUMP SUM PAYMENTS (Uncrystallised Funds Pensions Lump Sum or UFPLS)**

- The Plan offers the flexibility of a UFPLS option and you can take up to 5 payments
- A minimum of £4,500 per payment
- Maximum of 1 payment per year
- When exercising this option 25% of what you withdraw is tax free, the remaining 75% would be taxable at your marginal rate.



## Pension Freedom Options (4): Flexi Access Drawdown (Transfer Out)

The **only** way to access this option is by transferring out of the Plan:

- You can take withdrawals – as often as you like – and as much as you like, as long as your savings support this
- The balance of your savings in your pension pot will remain invested in the funds you have chosen
- When exercising this option you can take your full tax free cash lump sum (25% of your total fund value) and leave the rest of your savings to be withdrawn as income at later dates
- These withdrawals would then be taxed as income when withdrawn



**YOUR PENSION SAVINGS ARE A CUPCAKE**



**25%**

TAX FREE CASH

**75%**

TAXABLE AS INCOME

**HOW WOULD YOU LIKE YOUR CAKE?**



**WHOLE CAKE**

SINGLE CASH LUMP SUM

**SLICE BY SLICE**

MULTIPLE CASH LUMP SUMS

**ICING FIRST THEN SLICES**

FLEXI-ACCESS DRAWDOWN

- What are the possible tax implications of the new options?
- Will you need to transfer out?
- A new Money Purchase Annual Allowance (MPAA) of £10,000 has been introduced, which will apply from the first time benefits are accessed flexibly,
- If you trigger the MPAA in any tax year then you will be subject to the AA charge on your money in excess of £10,000
- Do you need to seek further guidance or advice?

# 7 NEW INVESTMENT CHOICES

## Choose your **own**

Means you have **more control**, but will need to take responsibility to regularly review your decisions and make changes accordingly.



## Invest in the **'default'** strategy

Subject to **periodic review** by the Trustee to ensure it remains fit for purpose and offers value for money.

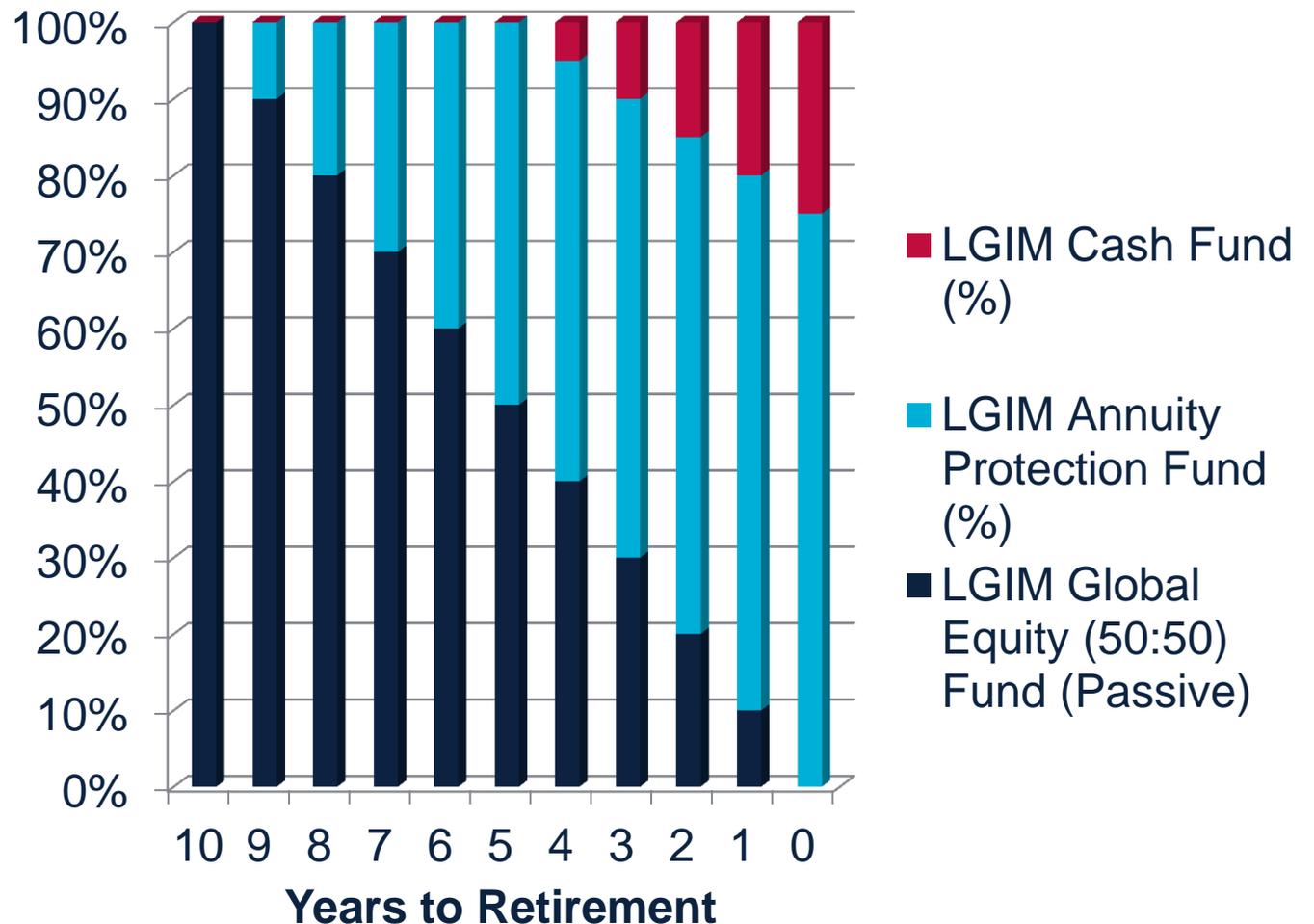
**Support is available to help with these decisions!**

# MRA DEFAULT FUND

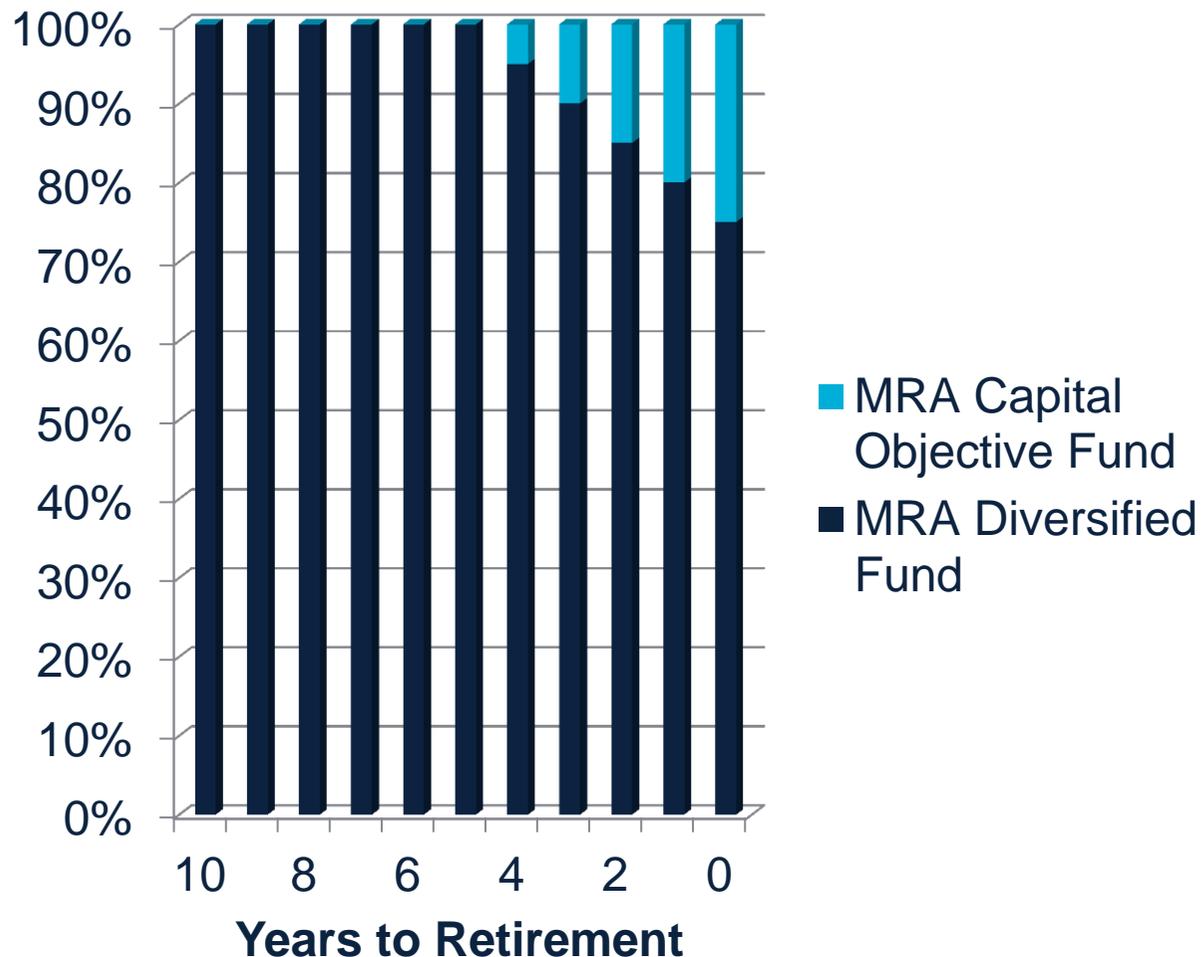


- Aim is to generate long term growth for younger members and
- To protect purchasing power as retirement approaches
- **Expectation:**
- 75% of the fund will be used to buy a pension
- 25% taken as cash
- Passive equities provide long term growth but volatile

## Old MRA Lifestyle Strategy



## New MRA Lifestyle Strategy



- Aim is to generate long term investment growth with lower volatility than current stock market based approach
- Maintain growth potential for longer to beat the harmful effects of inflation
- **Expectation:**
- Few members will use a substantial part of their pot to buy a pension
- Members will seek to benefit from new pensions flexibilities
- The key differences in strategy:
  - MRA Diversified Fund aims to provide less volatile investment returns
  - Still target 25% cash at retirement
  - Balance remains invested to maintain the potential for long term growth

# MRA DIVERSIFIED FUND



- Main engine of growth for MRA Default Strategy
- Uses “Diversified Growth Funds” (DGFs)
- Trustee chooses (with advice) two or more underlying DGFs as component funds
- Invests in a diversified portfolio of investments
- Aim of MRA Diversified Fund is to provide long term equity-like return but with much less volatility
- May not perform as well in strong upward equity markets, but if markets fall, MRA Diversified Fund will protect members relative to equities
- Charges would fall below the Governments 0.75% charge cap.



# MRA FUND RANGE



Growth	Bonds
MRA Diversified Fund*	LGIM Pre-Retirement Fund*
LGIM Global Equity Fixed Weights (50:50) Index Fund	LGIM Over 5 Year Index-Linked Gilts Index Fund
LGIM UK Equity Index GBP	LGIM Over 15 Year Gilts Index Fund
LGIM North America Equity Index	LGIM AAA-AA-A Corporate Bond – Over 15 Year Index Fund
LGIM Europe (ex-UK) Index	Cash / Money Market
LGIM Japan Equity Index	MRA Capital Objective Fund*
LGIM Asia Pacific (ex-Japan) Developed Equity Index	
LGIM UK Smaller Companies Equity Index Fund	*Denotes new option
LGIM Ethical Global Equity Index Fund	Funds above are available in addition to MRA Lifestyle Strategy
LGIM Managed Property Fund	

# WHAT DO YOU NEED TO DO?



- If you are invested in the Lifestyle programme, and are happy with the proposed changes, you **need not take any action**. Your investments will automatically move to the new MRA Lifestyle Strategy by the end of the year, further details on timing to follow
- You can, however, choose to **opt out of the lifestyle approach** and make your own investment decisions
- If you wish to opt out of the lifestyle approach, there will be no automatic de-risking of your investments, and you will need to **manage your own investments**.
- If you want to make changes to your investment options, or to opt out of the Lifestyling approach, you can do this by **completing the relevant forms (information pack to follow)**.
- If you are already invested in your own choice of funds, you will retain your existing funds unless you make a different choice; again, you can do this by completing the form.



# 8 WHERE CAN I GET HELP?

# WHERE CAN I GET FURTHER HELP?

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## Via the Plan

- **AMG Intranet/SharePoint**
- **Annual Newsletter**
- **New Pension Decision Service**
  - Over age 55
  - Guidance & Support – telephone call and follow up written guidance (not advice)
  - Signpost to Independent Advice where appropriate
- **New Booklet in New Year**



# WHERE CAN I GET FURTHER HELP?

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## Externally

- [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)
  - Online free and impartial financial advice and support
- [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)
  - Free support and advice
- [www.unbiased.co.uk](http://www.unbiased.co.uk)
  - Assistance with obtaining a Financial Adviser
- [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)
  - A free and impartial government service about your defined contribution pension options



- Regulation & legislation can only go so far
- The greatest weapon in the fight against scams is you

## How to spot the warning signs

Some of the most common tactics used by scammers to trick you out of your savings

A cold call, text message, website pop-up or someone coming to your door offering you a **'free pension review'**, **'one-off investment opportunity'** or **'legal loophole'**



Convincing marketing materials that promise you **returns of over 8%** on your investment

Paperwork delivered to your door by courier that requires immediate signature



Pension access before age

**55**



Overseas transfer of the funds



A proposal to put your money in a single investment. **In most circumstances, financial advisers will suggest diversification of assets.**

- Don't leave it too late, focus on your financial plans for retirement e.g. "am I paying enough in?"
- **Pension Freedoms** offer a new world of choice
- MRA investments have been re-designed to reflect this
- Lots of opportunities and flexibilities, but be mindful of risks/pitfalls
- Lots more support and help **IS** available – please use it!



## Background

- AMG legacy **Defined Benefit** pension scheme
- Closed to future accrual of benefits in 2006
- Provides preserved benefit based on salary at date of closure (or earlier leaving)
- At retirement, provides pension for life plus optional tax free cash through exchange of pension
- **IMPORTANT:** it may be in your interests to take more of your MRA pot tax free **instead** of having to give up RBP pension to take cash
- To access Pension Freedoms you would have to **transfer out**

## Funding & Security

- The RBP is a well funded pension plan
- As at last valuation date (31 December 2012), the Plan was 93% funded on ongoing basis
- AMG continues to support Plan with substantial contributions
- Plan now further insulated from market volatility by new investment strategy
- Ultimate safety net is the Pensions Protection Fund.

**AMG UK Group 2006 Pension Plan ("the Plan")**  
**Retirement Benefits Plan (RBP) Section - Preserved Benefit Statement as at 06/04/2016**

<b>Member Details</b>	
Name:	X
National Insurance Number:	X
Sex:	X
Date of Birth:	X
Date Joined Company:	X
Date Pensionable service commenced:	06/04/1988
Date Pensionable service ceased:	31/05/2006
Normal Retirement Date (NRD):	X



<b>Retirement Benefits</b>	
Your accrued annual pension at the date pensionable service ceased was :	£6,012.14
Your revalued annual pension at 06/04/2016 is:	£7,797.74
Plus an additional equalisation pension payable at age 65 of:	£358.51

## Death after Retirement

If you die after retirement, the benefits payable will be:

A spouse/civil partner/dependants pension equivalent to 50% of the pension you were receiving at the date of your death including any pension you exchanged for a lump sum.

Plus, depending on your date of death, a lump sum may be payable. Please refer to the attached notes for further details.

## Death before Retirement

If you die before reaching your Normal Retirement Date, the benefits payable will be:

A refund of your contributions.



## Indicative Transfer Value

Total Estimated Transfer Value as at 06/04/2016: £190,811.00

## Important Note

This statement should be read in conjunction with the attached Preserved Benefit Statement Notes.



# CONTACT



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