April 2010

PENSIONS NEWSLETTER

For members of the Member Retirement Account (MRA) section of the LSM 2006 Pension Plan ("the Plan")

A Warm Welcome

The Trustees are pleased to present this year's Newsletter, which aims to keep you informed about your pension. We have continued with the format used last year by providing separate newsletters for the old Retirement Benefits Plan and for the MRA. This ensures that you receive information relevant to your pension.

This year we have taken the opportunity to include some information on the Government's next 'big pensions idea' from 2012, Personal Accounts (now know as 'NEST', National Employment Savings Trust).

No doubt many of you will be particularly keen to receive information about the Plan in view of the extraordinary economic events of the last eighteen months or so. As a result of this, we have also taken the opportunity to include a short section on the "credit crunch".

As always, we hope you find the Newsletter interesting and informative. If there are other topics or issues that you would like covered in future editions, the Trustees would welcome your suggestions, which should be addressed to Charles George at Jardine Lloyd Thompson, 6 Crutched Friars, London, EC3N 2PH.

A Good Quality Pension Plan – a reminder!

As a member of the MRA you benefit from the following

1. **Free money from the Taxman** – under current legislation, your contributions attract full tax relief. This means for basic rate taxpayers a 5% contribution, only results in a deduction of 4% from net pay.

2. **Free money from LSM** – LSM will double your money – subject to a maximum in each age band, LSM will pay twice the level of contributions you pay.

3. **Free Life Assurance** – if you die in service a lump sum of 4 x salary is payable tax free. A spouses' pension of 25% of salary is also payable.

4. **Tax free cash lump sum** – you can take up to 25% of your MRA as a tax free lump sum when you retire.

5. **Salary Exchange** – gives you the option of potentially increasing your take home pay by reducing your National Insurance Contributions. It also increases the contribution made by LSM to your pension. Further details are provided in the Plan literature.

The Plan's Trustees

The current Trustees of the Plan are as follows:

David Beare – Group Aluminium Business Director

Jonathan Hamer – Finance Director

John Murrie – Member Nominated Trustee

John Bradbury – Member Nominated Trustee

Principal Advisers

Auditors:
Grant Thornton LLP

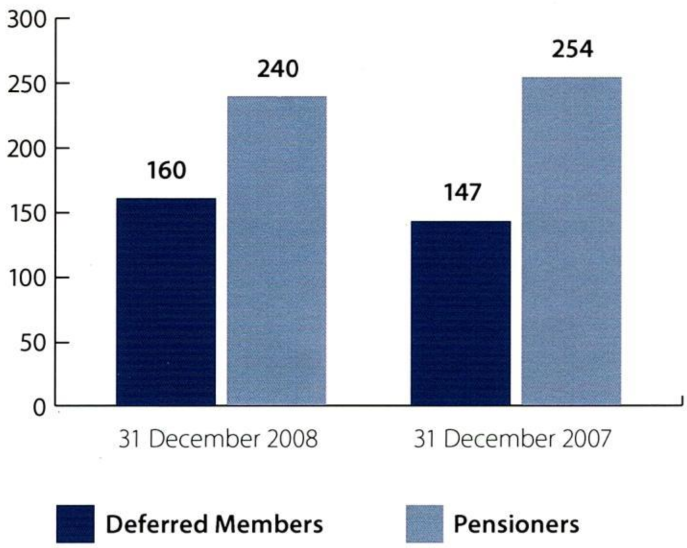
Consultants and Administrators:
JLT Benefit Solutions Ltd

Investment Managers:
Legal & General Assurance (Pensions Management) Limited

Legal Advisors:
Nabarro LLP

How many members?

At 31 December 2008 the MRA had 240 active members and 160 deferred members. Comparative figures as at 31 December 2007 were 254 and 147.



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.

The Credit "Crunch"

In common with all those involved in looking after pension assets, we as Trustees of your Plan, have been concerned by the global financial crisis and continue to monitor the situation very closely. Needless to say, we are acutely aware of our responsibility to protect your pension benefits as far as we are able.

You may not be surprised to learn that, compared with the 2007 Plan year, the value of the Plan's assets have fallen as at 31 December 2008, mainly because of the worldwide decline in equity values. Indeed, assets continued to fall in the first half of 2009 but have since recovered strongly as a result of the global stock market "bounce".

Proposed Pension Legislation – Personal Accounts (now known as NEST – National Employment Savings Trust)

You may have read in the press details about the Government's proposed introduction of Personal Accounts with effect from 2012. The Government is concerned that not enough people are saving for their retirement. Personal Accounts will be pension savings schemes primarily targeted at low to moderate earners, and available to all employees who currently do not pay into their employer's pension scheme (if one is available). It is proposed that individuals over the age of 22 will be automatically enrolled (every three years) into the Personal Accounts scheme unless their employer provides a scheme which meets certain criteria. Individuals will be able to opt out. The contribution rates are expected to be set at 4% of earnings between £5,035 and £33,540 for individuals, 3% for employers, and 1% for the Government. This band of earnings will increase each year by the average increase in earnings.

Further information on Personal Accounts will be provided in next year's Newsletter.

Investment

Asset Value

The market value of the Plan's assets fell over the accounting year from £4.7 million as at 31 December 2007 to £4.5 million as at 31 December 2008. Please note this figure does not include external AVC values. However, since the year end stock markets have begun to recover, and the value of the fund has increased to £6.2 million as at 31 December 2009.

Investment Performance

All the Plan's assets are managed on behalf of the Trustees by Legal & General (L&G) in index-tracking funds. An index tracking fund is one which aims to track the average market return for specific asset classes. L&G is one of the largest "index-trackers" and has an excellent reputation.

Over the last eighteen months or so most major investment markets have been rather volatile. The decision over which fund or funds to invest your contributions, and those of your employer, can be a difficult one, particularly when markets are changing so rapidly. If you have any doubts over whether you have selected an appropriate mix of funds you should consult an independent financial adviser (IFA). If you would like details of local IFAs you can find these on **www.unbiased.co.uk**.

The Trustees offer a selection of ten funds for the investment of contributions and you are responsible for choosing which funds to invest in.

Alternatively the MRA has a default "Lifestyle" programme, which automatically switches members' funds from equities to more protective funds and cash during the ten years prior to retirement. This programme aims to provide you with a balance between growth and security as you approach retirement.

For example, the Annuity Protection Fund aims to protect the amount of annuity pension your Member Retirement Account can buy. If the value of your Member Retirement Account goes down, annuities generally become cheaper. If annuities become more expensive, your Member Retirement Account will generally perform better. The Cash Fund aims to stabilise the effect on your Member Retirement Account if you decide to take the cash option.

Note: We would refer any members with both MRA and RBP benefits to the announcement issued in September 2007 regarding the suitability of the Lifestyle programme. Please contact Trevor Richards if you would like a copy.

The performance for the main MRA funds for the years ending 31 December 2008 and 31 December 2009 are as follows:

	Year ending 31/12/08		Year ending 31/12/09	
	Fund	Index	Fund	Index
Global Equity 50:50 Index	-23.7	-23.8	23.9	23.5
UK Equity Index	-29.9	-29.9	30.7	30.1
Property	-20.1	-24.0	2.3	-5.1
Cash	4.9	4.8	0.6	0.6

If you require any more information on any funds (including those not shown) please contact the Payroll department in Rotherham. Alternatively, you can view basic fund and performance information via the L&G website:
www.lgim.com/private/framework/security/login.jsp

The login details are as follows:
User ID: LSM_member
Password: LSM06513

Please note, members are able to alter their investment choices as at 31 January and 31 July each year. The appropriate forms can be obtained from payroll in Rotherham and should be submitted at least two weeks prior to the switch date.

Retirement Options

When you retire, you must use part of your Member Retirement Account to buy an "annuity" policy, which pays a pension to you for the rest of your life (and, if you choose one, a pension for your partner after your death). You will also have the option of taking up to 25% of your Member Retirement Account as a lump sum, currently tax-free.

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.**

Salary Exchange – normal contributions

The Trustees 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 LSM. This results in potentially significant National Insurance savings for both you and LSM. What's more, LSM gives back half of it's 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 (in which case you will be informed). Remember if you opt out of salary exchange you will forgo the National Insurance tax saving and supplementary LSM 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.

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.

If you are interested in paying AVCs, please contact the HR Department or Payroll in Rotherham.

Don't forget that you can contribute to a Stakeholder or Personal Pension 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.

SUMMARY MRA ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2008

The following is an extract from the accounts for the year ended 31 December 2008. A full version is available upon request. Figures for the year ended 31 December 2007 are also provided for information.

	2008(£)	2007(£)
VALUE OF THE PLAN AT THE START OF THE YEAR	5,277,487	4,007,446
INCOME		
Contributions:		
Company's:		
Normal	698,709	661,051
Other	-	1,870
Members':		
Normal	331,290	320,255
Additional Voluntary Contributions	42,141	32,787
Investment Income (interest on bank accounts)	797	1,104
Transfers in	-	12,690
Transfers between sections	(20,291)	65,628
Total Income	**1,052,646**	**1,095,385**
EXPENDITURE		
Benefits Payable	149,412	18,566
Payments to and on account of leavers	152,428	57,934
Fees and Expenses	-	-
Total Expenditure	**301,840**	**76,500**
FUND BALANCE		
Income *less* Expenditure	750,806	1,018,885
Change in Market Value of Investments	(1,100,122)	251,156
VALUE OF THE PLAN AT THE END OF THE YEAR	4,928,171	5,277,487

GENERAL INFORMATION

State Pensions

Membership of the MRA does not affect your State pension entitlements. 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 possible for members to contract out of the S2P on an individual basis by taking out a personal pension or stakeholder pension. This is a personal decision and one on which you should obtain independent financial advice. Neither the Trustees, the Company nor Jardine Lloyd Thompson is able to provide any advice on this matter.

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.

Form BR19 can be obtained from your local Department for Work and Pensions Office or can be obtained online at: http://www.thepensionservice.gov.uk/resource centre/br19/home.asp

From 6 April 2009 the Basic State Pension is as follows:

- For a single person is £4,953.00 per annum
- For a married couple is £7,919.60 per annum.

Pension Tracing Service

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

Pension Tracing Service
The Pension Service
Whitley Road
Newcastle-upon-Tyne
NE98 1BA

Tel: 0845 600 2537
www.thepensionservice.gov.uk

Additional documents available on request

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

The **Schedule of Contributions**. This shows how much money is being paid into the Plan by LSM 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.

Expression of Wish form

Your Expression of Wish form tells the Trustees who you would like to receive any lump sum death benefits payable in the event of your death. Although the Trustees 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. Completed forms should be placed in a sealed envelope (showing your name and the current date) before being returned.

Internal Disputes Procedures

If you have a complaint, you should contact Trevor Richards at LSM 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: -

Trevor Richards – Payroll Manager
London & Scandinavian Metallurgical Co Limited
Fullerton Road
Rotherham
South Yorkshire
S60 1DL
Tel: 01709 833 754

Or

Catherine Horton
Jardine Lloyd Thompson Administration Solutions
St James's House
7 Charlotte Street
Manchester
M1 4DZ
Tel: 0161 931 4547

Issued on behalf of LSM Co Limited, and on behalf of the Trustees of the LSM 2006 Pension Plan
April 2010

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