August 2014

AMG Superalloys AMG Aluminum AMG Alpoco UK

PENSIONS NEWSLETTER

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

A Warm Welcome

'Change' once again dominates the agenda for this Newsletter. In his most recent budget announcement, the Chancellor of the Exchequer took everyone by surprise when he announced dramatic changes to the way that defined contribution pensions (such as those provided by the MRA Section of the Plan) can be accessed. Whilst the proposed increased flexibility is to be welcomed, the changes also raise new uncertainties and challenges. Accordingly, we have included a separate section in the Newsletter on the budget announcement and its possible implications. We hope that the picture will become a little clearer as we move through 2014 and the Government completes various consultations on the proposals. We will keep you informed as things progress.

Another area of change is in connection with the Plan itself. Firstly, following a consultation with members at the end of 2013, the Plan's contribution scales, normal retirement age and death in service benefits were changed with effect from 1 February 2014. A brief summary of the changes is included in the Newsletter.

We are pleased to confirm that the new contribution scales are fully compliant with "Auto Enrolment", the legislation designed to ensure that all employees are automatically enrolled into a minimum standard workplace pension arrangement.

Finally, following a reorganisation of the business at the end of 2013, the sponsor of the Plan changed its name to AMG Superalloys UK Limited and there was a restructuring of the Trustee board. As part of this, the name of the Plan has changed from the LSM 2006 Pension Plan to the AMG UK Group 2006 Pension Plan.

The Trustees continue to actively monitor the Plan and consider ways of improving it. One initiative that has already been agreed in principle is to enhance members' investment options under the MRA and to provide more choice. The process to implement this, accompanied by appropriate announcements and communications, is expected to take place in early 2015.

All in all, it's been another busy yet very positive year. The Plan has been improved and updated and members can look forward to improved investment choice next year.

On a broader note, it is refreshing that, for the first time in what seems like a number of years, we are not forced to address a gloomy global economic situation in the introduction to this Newsletter! There is just the encouraging suggestion that UK PLC and the world economy is normalising, although only time will tell...

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
Jardine Lloyd Thompson
The St Botolph Building
138 Houndsditch
London EC3A 7AW

The Trustees

The Trustees have overall responsibility for the Plan. The current arrangement allows for two of the four Trustees to be nominated by the members. During the year, changes were made to the Trustee board following a corporate re-organisation. David Beare and Jonathan Hamer resigned as the company appointed Trustees and were replaced by Leonora Scaife and Dr. Paul Cooper with effect from 30 November 2013. The current Trustees of the Plan are, therefore:

Leonora Scaife – Employer Appointed Trustee
Dr Paul Cooper – Employer Appointed Trustee
John Murrie – Member Nominated Trustee
John Bradbury – Member Nominated Trustee

Incorporation of the Trustee

The Company is proposing that the current individual trustees structure is replaced with a corporate trustee.

This is an increasingly common arrangement for pension schemes and is seen as a more efficient and effective way of operating trustee bodies. It will have no practical impact with respect to the individuals acting as Trustees. Effectively the existing Trustees simply become directors of the Trustee Company. Most importantly, the Trustee Directors will have exactly the same duties and responsibilities as they had as individual Trustees.

It is expected that the restructure will take place later this year.

As regards the Member Nominated Trustee (MNT) arrangements, please be assured that all of the current MNTs will continue to serve on the Trustee Company board. All that will happen is that they will be re-designated as Member Nominated Directors (MNDs). As part of the recent consultation exercise, it was announced that the Trustees intend to review the MND arrangements in due course to ensure they remain appropriate.

Plan Changes

The following key changes have been made to the Plan with effect from 1 February 2014:

- A new contribution structure has been put in place resulting in increased contributions from both employees and the employer. This will give better retirement outcomes than previously.
- The Normal Retirement Date of the Plan has changed from your 65th birthday to your State Pension Age. This is to improve the matching of investments with actual retirement dates for members using the 'Lifestyling' programme.
- Should you die whilst an active member of the Plan, your spouse/partner will no longer receive a pension. Instead a lump sum of 4 times salary will be payable. However, for members who had rights to a spouse's pension under the previous structure, an additional 4 times salary will be payable.

Overall the Trustees believe these are very positive changes that ensure employees continue to have access to a high quality pension plan.

Running the Plan

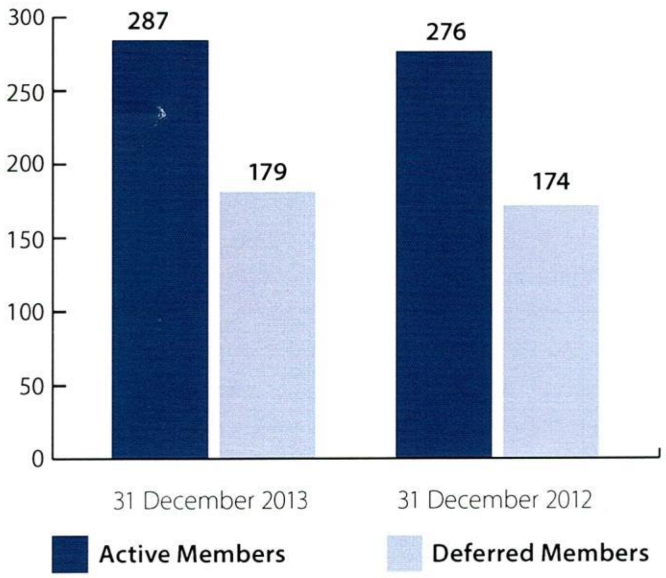
The Trustees are responsible for managing the Plan in accordance with the Plan's governing documents and prevailing law. They also have a duty to act in the interests of all members of the Plan which includes former employees with deferred accounts and pensioners.

To meet these responsibilities the Trustees meet with the Plan administrators and consultants and other advisers at least three times each year.

In order for the Trustees to manage the Plan correctly, they have appointed a number of professional advisers to whom they have delegated certain duties including auditors and legal advisers.

How many members?

At the end of the accounting year 31 December 2013 the MRA had 287 active members and 179 deferred members. Comparative figures as at 31 December 2012 were 276 and 174.



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 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 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.

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.**

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.

Members are reminded that sensible investment of contributions is crucial to the eventual benefits they will receive at retirement. This is because the eventual value of the AVCs is dependent on the contributions paid in, the investment growth the fund achieves, and the annuity rates available at retirement (the rates used to convert a member's MRA into a pension).

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.

Budget Changes 2014

You may have heard in the press that this year's Budget announced some significant changes to the way that individuals can access their pension savings.

Changes effective already

- If you are 60 or over and the overall value of your total pension savings from all sources is £30,000 or less, you can now take this all as a lump sum (previously this was only possible for savings of £18,000 or less). The first 25% of the lump sum is tax free and the balance is subject to your highest marginal rate of income tax;
- If you are 60 or over and the value of your pension savings under any single scheme or arrangement is £10,000 or less, you can now take it all as a lump sum and can do so on up to 3 personal pension arrangements and an unlimited number of occupational (employer sponsored) pension arrangements (previously this was only possible for savings of £2,000 or less and on up to 2 personal pension arrangements).

The Chancellor has also made some changes to "drawdown" arrangements whereby members can leave their pension savings invested but receive a regular income without having to purchase an annuity. In common with most similar schemes, drawdown is not currently offered under the Plan. Therefore, in order to take advantage of drawdown, you would have to transfer your MRA savings out of the Plan into your own personal arrangement.

Changes effective from April 2015

At the moment when you come to retirement you don't have full flexibility when accessing your savings. Under current tax rules, you can take up to 25% of your pension savings as a tax-free lump sum. However, you would be charged 55% tax on the remainder if you withdrew it as a lump sum.

The Government has announced its intention that from April 2015:

- Whatever the amount of your defined contribution savings, you'll be able to take them on or after age 55 as you want.
- The 25% tax free lump sum will continue to be available. However, the balance will also be available as a lump sum subject to your marginal rate of income tax (0%, 20%, 40% or 45%) in that year as opposed to the current flat rate of 55%.
- These changes would give you more flexibility. If you still wanted to have the security of a guaranteed income in the form of an annuity, you'll still be able to buy one, but if you want greater control over your finances, you will be able to draw down your savings as you see fit.
- The Government has recently announced that free and impartial guidance on your pension choices will be available through independent organisations. We are expecting more details of how this will work in practice in due course. We will let members know as soon as more information is available.

What are the Trustees doing?

The Government is considering whether the changes announced in the Budget should be compulsory for schemes, effectively overriding scheme rules. A consultation has recently been completed so it is still a question of maintaining a watching brief. As is often the case, 'the devil will be in the detail'.

The Trustees will keep you informed of developments. However, if you wish to take advantage of the changes sooner then you will have to transfer out of the Plan into your own personal pension arrangement.

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 Trustees 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:
http://www.unbiased.co.uk/find-an-adviser

Or, you can telephone: 0330 1000 755

Note: *This Notice is based on our current understanding of the Government's intentions – and at a time when no amending legislation has actually been laid.*

Other Pension matters

Review of Trust Deed and Rules

Last year we mentioned that the Trustees were progressing a re-write of the Trust Deed and Rules ("the Rules") governing the Plan. The Rules provide a definitive record of the benefits payable from the Plan as well as setting out details regarding its operation and management, including the proceedings and powers of the Trustees.

We are pleased to report that this exercise is now complete and the Rules were signed-off on 1 April 2013.

Pensions Liberation

The Trustees would like to take this opportunity to bring to your attention the issue of pension liberation fraud. The Pensions Regulator has published guidance for pension schemes and their members which is intended to help protect members from activity that may be fraudulent and/or result in considerable loss of funds due to a significant tax charge and high fees. This activity is known as "pension liberation fraud" and is on the increase in the UK.

Typically, cash incentives are being used alongside misleading information to entice pension scheme members to transfer their pension benefits out of their scheme and into a fraudulent arrangement. In rare cases (such as terminal illness), it is possible for an individual to access their pension funds before age 55 but, in most cases, such actions suffer a very heavy tax penalty.

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.

Tax Relief

From 6 April 2014, the Annual Allowance (AA), on the value of tax relieved savings that an individual may receive in a single year, reduced from £50,000 to £40,000. From the same date, the Lifetime Allowance (LTA), on the total value of tax relieved savings that may be accrued by an individual throughout their life, reduced from £1.5m to £1.25m. Anyone whose accumulated pensions exceed this amount **when benefits are drawn** will suffer an additional tax on their benefits (but see "Update" below).

The calculation of the value of your benefits will depend on whether you are referring to MRA or 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

Value of individual Member Retirement Account: £150,000

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

Total value of benefit to be compared to the Lifetime Allowance of £1.25m is £450,000

Retirement Options

At the present time, 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.

However, sweeping changes to this were announced in the 2014 Budget. Please refer to the earlier section on the 2014 Budget for more information.

Investments

Asset Value

The market value of the MRA's assets increased over the accounting year from £10.6 million as at 31 December 2012 to £13.6 million as at 31 December 2013. Please note this figure does not include external AVC values. The market value of the MRA's assets was £14.1 million as at 30 June 2014.

Investment Performance

All the MRA'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 providers of "index-trackers" and has an excellent reputation.

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 should generally perform better (but see also the changes effective from April 2015 in the Budget Changes 2014 section). 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 2012 and 31 December 2013 are as follows:

	YEAR ENDING 31 DECEMBER 2013		YEAR ENDING 31 DECEMBER 2012	
	Fund %	Index %	Fund %	Index %
Global Equity 50:50 Index	22.3	22.3	12.4	12.4
UK Equity Index	20.8	20.8	12.3	12.3
Over 5 yr index linked Gilts	0.5	0.6	0.4	0.5
Property	9.0	6.7	2.5	-1.2
Cash	0.3	0.4	0.4	0.4

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:
https://www.lgim.com/private/framework/security/login.jsp

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

If you wish to alter your investment choices, the appropriate forms can be obtained from Payroll in Rotherham.

Contributions, investment and choice

The Trustees encourage 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 Guide will help you to 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 Trustees 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. The advice you require may, for example, relate to a transfer either into or from the Scheme. Another occasion will arise when you come to set up your retirement income.

If you would like details of local IFAs you can find these on www.unbiased.co.uk/find-an-adviser.

Summary MRA Accounts for the year to 31 December 2013

The following is an extract from the accounts for the year ended 31 December 2013. A full version is available upon request. Figures for the year ended 31 December 2012 are also provided for information.

	2013(£)	2012(£)
VALUE OF THE PLAN AT THE START OF THE YEAR	11,133,624	9,330,641
INCOME		
Contributions:		
Company's:		
Normal	836,883	797,301
Members':		
Normal	388,362	385,723
Additional Voluntary Contributions	55,223	45,490
Investment Income (interest on bank accounts)	34	15
Transfers in	15,647	8,632
Transfers between sections	(47,257)	(10,726)
Compensation receipt	–	637
Total Income	**1,248,892**	**1,227,072**
EXPENDITURE		
Benefits Payable	360,290	455,595
Payments to and on account of leavers	46,295	20,778
Fees and Expenses	–	11
Total Expenditure	**406,585**	**476,384**
FUND BALANCE		
Income *less* Expenditure	842,307	750,688
Change in Market Value of Investments	2,110,520	1,052,295
VALUE OF THE PLAN AT THE END OF THE YEAR	14,086,451	11,133,624

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 currently an earnings-related pension, the State Second Pension (S2P).

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.dsdni.gov.uk/retirement_pensions_forecast_form.pdf

From 6 April 2014 the Basic State Pension is as follows:

- For a single person is £5,881.20 per annum
- For a married couple is £9,406.80 per annum.

Changes from 6 April 2016

From 6 April 2016 the State Pension will change to a simpler, single-tiered pension for everybody reaching State Pension Age from 6 April 2016, subject to certain eligibility criteria.

The amount of the new pension will not be decided until autumn 2015, but the Government has provided an illustrative full single-tier rate of £148.40 per week. If you reach State Pension Age before this date, your State Pension will be unaffected by this change.

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: 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 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 Plan's income and expenditure for the last Plan year.

Internal Disputes Procedures

If you have a complaint, you should contact Trevor Richards 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:

Trevor Richards – Payroll Manager
AMG Superalloys UK Limited
Fullerton Road
Rotherham
South Yorkshire
S60 1DL
Tel: 01709 833 754
Email: payroll@amg-s.com

Or

Gwyneth Rees
Jardine Lloyd Thompson Benefit Solutions
St James's House
7 Charlotte Street
Manchester
M1 4DZ
Tel: 0161 931 4443

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.

Issued on behalf of AMG Superalloys UK Limited, and on behalf of the Trustees of the AMG UK Group 2006 Pension Plan
August 2014

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