

December 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 in previous years by providing separate newsletters for the RBP and for the MRA. This ensures that you receive information relevant to your pension.

It is at least encouraging to note that since we issued the last member newsletter the world economy has generally returned to growth. Nevertheless, growth is expected to remain sluggish in the developed world for the foreseeable future and the Trustees continue to be mindful of the challenges this wider economic environment presents.

At the pension scheme level, there has been a continued focus on robust Plan governance and the Trustees and their advisers have been working to ensure that the Plan is compliant and managed properly. A summary of how the Trustees have addressed these important issues is included. We have also included a section on recent pensions developments and all the usual facts and figures.

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.

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

There have been no changes to the Trustee Board during the year.

Principal Advisers

Auditors:

Grant Thornton LLP

Consultants and Administrators:

JLT Benefit Solutions Ltd

Investment Managers:

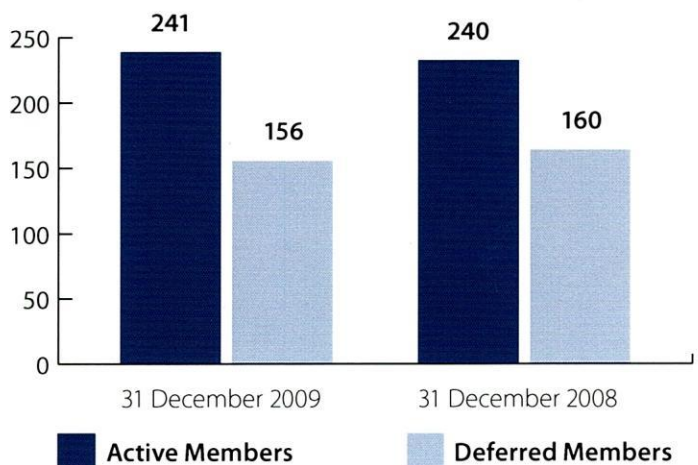
Legal & General Assurance (Pensions Management) Limited

Legal Advisors:

Nabarro LLP

How many members?

At 31 December 2009 the MRA had 241 active members and 156 deferred members. Comparative figures as at 31 December 2008 were 240 and 160.



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.

Recent Developments

Higher Rate Tax Relief

As you may be aware, the previous government announced changes to tax relief for what it described as "high earners", with those changes being scheduled to come into effect from 6 April 2011.

The new coalition government has reviewed those proposals and has announced a change in the way it intends to restrict tax relief. The "annual allowance" will be reduced from its current level of £255,000 to £50,000 with effect from 6 April 2011 and the lifetime allowance will be reduced from £1.8 million to £1.5 million with effect from 6 April 2012. These measures replace the more complex proposals put forward by the last government.

In the meantime, measures that were introduced to stop "high earners" taking advantage of the current tax breaks remain in place.

The Trustees (and the Company) strongly recommend that if you believe you might be affected by these changes or proposals, you seek independent financial advice.

State Pension Age

You may be aware of the government's previous announcement to gradually increase the State Pension Age for women from 60 to 65 over the period 2010 to 2020. As part of the Comprehensive Spending Review the government has announced that there will be an acceleration of the increase to the female State Pension Age so that it reaches 65 by 2018 as opposed to 2020.

Furthermore, with effect from December 2018, male and female State Pension Ages will progressively increase from age 65 to age 66 by April 2020. The government is also considering a future increase to the State Pension Age to 68.

For further information and to calculate your new State Pension Age:

<http://www.direct.gov.uk/en/>

[Pensionsandretirementplanning/StatePension/DG_4017919](http://www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/DG_4017919)

Auto Enrolment and NEST

The coalition government has recently concluded a review of the previous government's plans for auto-enrolment and NEST (formerly known as Personal Accounts), due to come into effect in 2012. The decision is that the essence of the reforms will be preserved i.e. new legal duties will require employers to automatically enrol employees into "qualifying" pension schemes between 2012 and 2016. A new workplace pension arrangement known as NEST will be the default option for employers that do not provide a qualifying pension scheme.

The reforms are primarily designed to target low to moderate earners. To be covered by the changes, employees must be over age 22 and earn more than £7,475 in 2011/12. The ultimate contribution rate will be 8% (3% employer, 4% employee and 1% tax relief) although this will be phased in between 2012 and 2017.

It is expected that LSM will maintain the 2006 Plan such that it is a qualifying scheme for the purposes of the new rules. This may involve some adjustments to the contribution structure in the future although this has not yet been decided. Further information will be provided when it is available.

Investments

Asset Value

The market value of the Plan's assets increased over the accounting year from £4.5 million as at 31 December 2008 to £6.2 million as at 31 December 2009. Please note this figure does not include external AVC values. The value of the fund has further increased to £7.5 million as at 1 November 2010.

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.

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 decision over which fund or funds to invest your contributions, and those of your employer, can be a difficult one. 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 performance for the main MRA funds for the years ending 31 December 2009 and 30 September 2010 are as follows:

	Year ending 31/12/09		Year ending 30/09/10	
	Fund	Index	Fund	Index
Global Equity 50:50 Index	23.9	23.5	9.8	9.7
UK Equity Index	30.7	30.1	12.5	12.5
Over 5 yr index linked Gilts	-4.9	-4.8	9.6	9.7
Property	2.3	-5.1	16.9	15.3
Cash	0.6	0.6	0.4	0.5

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

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 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, 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.

Governance

The Trustees take governance seriously. Therefore, we would like to explain to members just some of the activities and extensive controls the Trustees have put in place to support the proper running of the Plan:

Risk assessment

In 2009 the Trustees commissioned a comprehensive review by administration consultants Profund Solutions Ltd of the risks associated with managing the Plan – for example, investments, data management, Plan documentation etc – and a report was produced grading each area. We are pleased to confirm that the results were very good, with only a few relatively minor risk areas identified (out of dozens assessed) where further work was needed. The Trustees reviewed the report in July 2010 and found that most of the identified risks have been mitigated. A further review will be conducted next year.

Annual business plan

This includes a calendar so that the Trustees are aware of deadlines for accounts, annual actuarial reports (for the RBP) and the Trustees meeting dates. This document is included in each meeting pack.

Trustee training

The Trustees undertake training and activities covering a wide variety of topics relevant to the Plan. Details of the training undertaken at each meeting are kept on a trustee training log.

Conflicts of interest

The Trustees have a formal policy for managing potential conflicts of interest. A register is kept for the Trustees to indicate whether they have a conflict of interest with regard to a particular topic or agenda item.

Notifiable events

The Pensions Regulator has a list of events which necessitate either the Trustees or LSM notifying them where applicable. This list is included in the meeting packs for review at each meeting.

SUMMARY MRA ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2009

The following is an extract from the accounts for the year ended 31 December 2009. A full version is available upon request. Figures for the year ended 31 December 2008 are also provided for information.

	2009(£)	2008(£)
VALUE OF THE PLAN AT THE START OF THE YEAR	4,928,171	5,277,487
INCOME		
Contributions:		
<i>Company's:</i>		
Normal	698,401	698,709
Other	-	-
<i>Members':</i>		
Normal	292,471	331,290
Additional Voluntary Contributions	37,029	42,141
Investment Income (interest on bank accounts)	29	797
Transfers in	47,872	-
Transfers between sections	(93,798)	(20,291)
Total Income	982,004	1,052,646
EXPENDITURE		
Benefits Payable	325,064	149,412
Payments to and on account of leavers	11,951	152,428
Fees and Expenses	-	-
Total Expenditure	337,015	301,840
FUND BALANCE		
Income <i>less</i> Expenditure	644,989	750,806
Change in Market Value of Investments	1,061,666	(1,100,122)
VALUE OF THE PLAN AT THE END OF THE YEAR	6,634,826	4,928,171

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.dsdni.gov.uk/retirement_pensions_forecast_form.pdf

From 6 April 2010 the Basic State Pension is as follows:

- For a single person is £5,077.80 per annum
- For a married couple is £8,119.80 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 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 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

Sonya Patel
Jardine Lloyd Thompson Benefit Solutions
St James's House
7 Charlotte Street
Manchester
M1 4DZ
Tel: 0161 931 4520

