

December 2016



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.

It seems that each year we report another unexpected development for UK pensions. Last year it was the introduction of "Pensions Freedoms" and this year, of course, we've had Brexit. Whatever your views are about the rights and wrongs of the UK coming out of the EU, the Trustee Directors must consider Brexit dispassionately and solely from the point of view of any impact on the Plan and the members. The one clear outcome for MRA members in the short term has been investment market volatility. However, pensions are long-term investments and the Trustee Directors would support the Pensions Regulator who has recently warned against "knee-jerk reactions". The long term impact is very difficult to predict but we have included a short section on Brexit later in the Newsletter.

The process of introducing new and better investment choices for MRA members remains on track to be launched in the coming months. We are accompanying this with a full education and communications programme to explain the enhancements as well as a reminder about the new flexibilities available to members. One of the Trustee's aims has been to devise investment choices that better fit an environment where members are able to access their retirement funds in many more ways than in the past. Such is the importance of this 'new world' of Pension Freedoms, we have taken the opportunity below of repeating the detailed explanation given in last year's Newsletter.

Governance matters continue to occupy the Trustee. This year, for the first time, a Chair's Statement has been produced as part of the Plan's annual Accounts including a commentary on the Plan's status against various prescribed governance objectives. A summary of the Statement is included below. The Trustee Directors are fully supportive of the Pensions Regulator's focus on ensuring that DC pension schemes maintain the highest standards of governance and, therefore, are best placed to deliver 'good member outcomes'.

During the year, the Trustee Directors were pleased to welcome two new appointees to the Board. Congratulations to Stephen Wordsworth who joined the Board, following a member vote in March 2016. At the same time, the Company appointed AMG HR Manager Sam Scarfe, who brings to the Trustee a useful and relevant personnel perspective. I am delighted to have both Steve and Sam on board and confident that they will further enhance the effectiveness of the Trustee body.

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.

Over the last year, the number of Trustee Directors has increased from four to six. Three of the six Trustee Directors are nominated by the members.

The current individual Trustees Directors are as follows:

Leonora Scaife – Employer Nominated Director
Dr Paul Cooper – 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

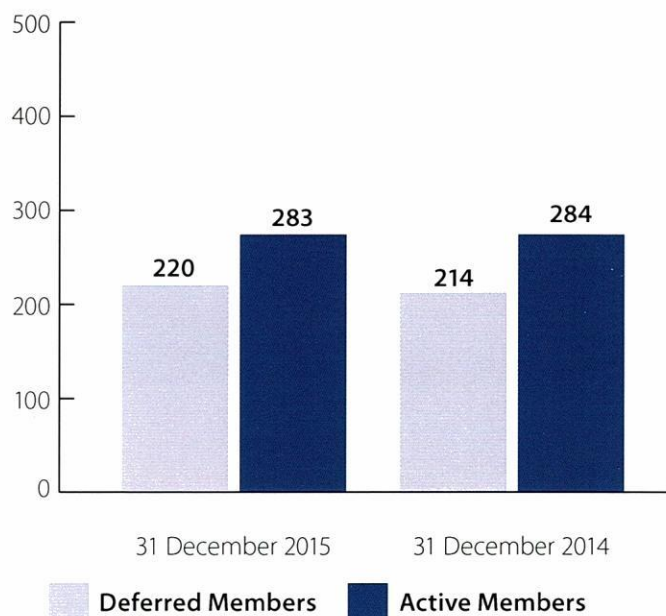
The Trustee Directors are responsible for managing the Plan in accordance with the Plan's governing documents and prevailing law. They also have a duty to act in the interests of all members of the Plan which includes former employees with deferred accounts and pensioners.

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?

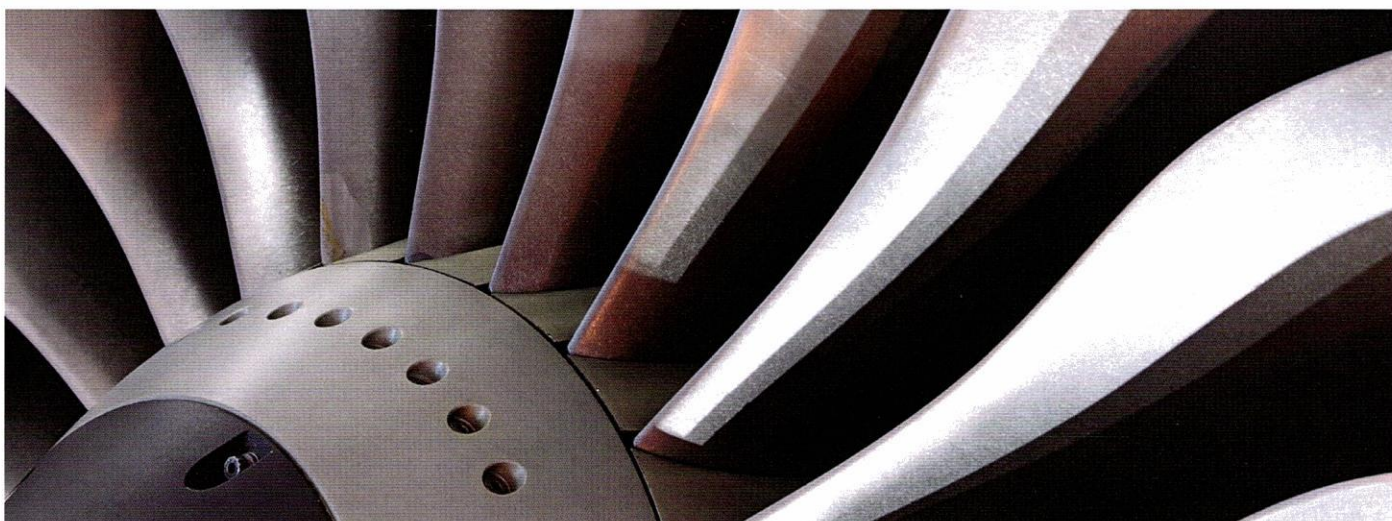
At the end of the accounting year 31 December 2015 the MRA had 283 active members and 220 deferred members. Comparative figures as at 31 December 2014 were 284 and 214.



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.

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 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.

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 the way in which contributions are invested is crucial to the benefits they will receive at retirement. The eventual 'value' of the AVCs is dependent on the amount of contributions paid in and the investment growth achieved on those contributions. If a member chooses to take their AVC 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).

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.

Some Key Pensions matters

The UK's decision to leave the EU ('Brexit')

On the 23rd June 2016 the UK voted to leave the European Union. With Brexit a reality we are now in uncharted territory. We have been giving serious consideration to the implications of Brexit and how they may impact AMG and Plan in the future.

Events following Brexit most certainly will result in change, but any changes will take time (and reform of pensions following Brexit will not necessarily be a priority for the Government). The UK's post-Brexit relationship with the EU will be a factor. This affects not just the regulation of occupational pension schemes, but also the investment of their assets.

In the meantime, the security of your benefits under the Plan remains unchanged. All rules and regulations remain in force and the management and oversight of the Plan is the responsibility of the Trustee who has a duty to act in the interests of members.

We have already touched upon the investment market volatility arising from Brexit. However, even for MRA members that are approaching retirement, any adverse consequences of Brexit on investments and annuity rates are tempered by the introduction last year of Pension Freedoms i.e. the effective requirement to buy an annuity has gone and members have the option to keep their money invested for longer if they wish (see below).

AMG and the Trustee will in all events continue to work closely with their advisers to ensure that investment strategies are robust in a range of scenarios. We will also communicate with you on important developments affecting the Plan. Members are advised to think carefully when approaching retirement and to seek independent financial advice before making any income decisions.

For more information on pensions and useful links, you can also visit the following websites:

- www.pensionwise.gov.uk
For free and impartial government guidance on DC pension arrangements.
- www.thepensionsregulator.gov.uk/regulate-and-enforce/pension-scams.aspx
For information on pension scams and tips on how to avoid it.

Pension Freedoms - Retirement options

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 adjacent 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

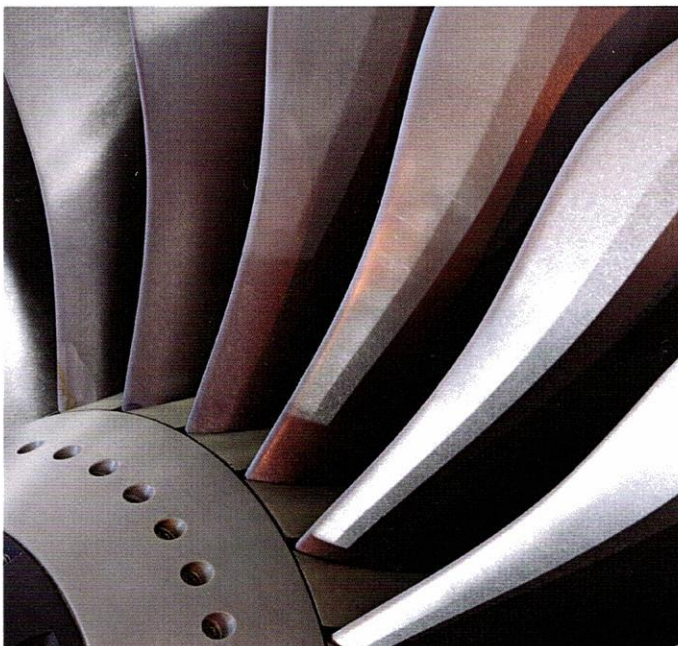
Sometimes dubbed "the Lamborghini Option"(!), since April 2015, you can now withdraw the full value of your pension savings as a one-off lump sum payment with 25% of this paid tax free and the remaining 75% subject to tax at your marginal rate. However, if you are thinking of doing this it is very important 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) from the Plan. 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 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 5 payments with a minimum of £4,500 per payment and a maximum of 1 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.

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

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/

As already mentioned, the Trustee is planning to introduce some additional support for members at retirement. More details will follow.

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 2016 to 5 April 2017 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 opposite, 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.

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 'value' of that benefit for Lifetime Allowance assessment purposes, – 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**

Chair's Statement regarding DC Governance

A new requirement for the 31 December 2015 annual Accounts was the inclusion of a Chair's Statement as part of the Regulator's DC Governance Code of Practice. The Statement covers the following main areas:

Trustee Knowledge and Understanding

Does the Trustee receive appropriate training? The Statement notes that the Trustee Directors undertake continuous training and development and that their advisers are putting in place a training plan for 2017.

Default Arrangement

The Statement comments on the suitability of the Plan's default investment arrangements i.e. the investment funds into which pension contributions are directed where the member has not made a specific choice.

The current default arrangements are geared towards members taking the 'traditional' 75% of pension savings in the form of an annuity for life and the remaining 25% as tax free cash.

The Trustee Directors have already identified that post Pension Freedoms, an approach is needed that better aligns MRA accounts at retirement with the increased choices members now have. The Trustee Directors have issued a separate announcement detailing their agreed changes in this regard.

Financial Transactions

Whether the Plan's financial transactions (essentially, receiving contributions and paying out benefits) are managed well. The Statement concludes that this aspect is closely monitored at regular Trustee meetings and so is fully compliant with the Code.

Charges and Value for money

Are charges for investing in the Plan's default funds within the charge cap (0.75%) and do the funds offered to members (including AVC funds) represent 'value for money'? The Statement notes that the default investment funds are all well within the charge cap and that the administration expenses of running the Plan are met by AMG, not the members. On this basis, the conclusion was that the investment funds do indeed represent value for money.

Pensions Liberation Fraud

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 £14.4 million as at 31 December 2014 to £15.3 million as at 31 December 2015. Please note this figure is different to that given in the Summary MRA Accounts below as this figure does not include external AVC values. The market value of the MRA's assets was £17.9 million as at 31 August 2016.

During the year April 2015 to April 2016, members who were invested in the L&G Global Equity 50:50 Index Fund (which includes the majority of members in the Lifestyle Strategy, see below) experienced a negative return on their contributions. In some cases the fall in the value of these investments was greater than the value of the contributions paid in. Whilst this is clearly very disappointing, members should also have regard to the long term nature of pension scheme investing.

Investing in equities is potentially volatile but historically equities have offered the best returns over the longer term. If a member is young enough they are able to 'ride-out' bad performance. This can be illustrated by what has happened to the Global Equity Fund since April 2016. It has returned nearly 16% putting members back well above April 2015 levels. For older Lifestyle members closer to retirement, investments transition to the Annuity Protection Fund so steadily removing the equity risk.

Investment Strategy

Important Note: *What follows is a summary of the current MRA investment strategy. As already mentioned, the Trustee is making changes to the strategy which will result in more and better investment options for the members.*

All the MRA's assets are managed on behalf of the Trustee 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 Trustee offers 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.

With the changes effective from April 2015 described above employees now have additional options in the way that they can access their benefits. It is important that you consider these options when deciding whether or not the lifestyle programme is appropriate to you. If given the new flexibilities you do not think that an annuity is the right choice then the lifestyle may not be suitable.

Investment Performance

The performance for the main MRA funds for the years ending 31 December 2014 and 31 December 2015 are as follows:

	YEAR ENDING 31/12/2014		YEAR ENDING 31/12/2015	
	Fund %	Index %	Fund %	Index %
Global Equity 50:50 Index	4.4	4.5	3.6	3.7
UK Equity Index	1.2	1.2	1.0	1.0
UK Smaller Companies Index	0.7	0.9	8.9	9.2
Ethical Global Equity Index	11.2	11.6	5.1	5.4
North American Equity Index	19.4	19.6	5.1	5.3
Europe (ex UK) Equity Index	-0.3	-0.2	5.8	5.8
Property	16.4	16.8	11.7	12.5
Cash	0.3	0.3	0.3	0.4
Annuity Protection Fund				
Over 5 yr index linked Gilts	21.3	21.4	-1.3	-1.2
Corporate Bond over 15 yr	19.8	19.9	-0.7	-0.7
Over 15 yr Gilts	26.0	26.1	0.0	0.1
Asia Pacific Index Fund				
Japan Equity Index	2.5	2.7	17.4	17.6
Asia Pacific (ex Japan) Equity Index	4.8	4.9	-4.7	-4.5

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:

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 Christine Allen in Rotherham (see contact details at the end).

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 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 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. The advice you require may, for example, relate to a transfer either into or from the Plan. 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.



Summary MRA Accounts for the year to 31 December 2015

The following is an extract from the accounts for the year ended 31 December 2015. A full version is available upon request. Figures for the year ended 31 December 2014 are also provided for information.

	2015 (£)	2014 (£)
VALUE OF THE PLAN AT THE START OF THE YEAR	14,933,026	14,086,451
INCOME		
Contributions:		
<i>Company's:</i>		
Normal	853,381	865,995
<i>Members':</i>		
Normal	410,075	417,994
Additional Voluntary Contributions	30,049	30,595
Investment Income (interest on bank accounts)	28	43
Transfers in	41,451	32,947
Transfers between sections	(75,849)	(5,967)
Claims on Term Insurance policies	-	301,880
Compensation receipt	-	444
Total Income	1,259,135	1,643,931
EXPENDITURE		
Benefits Payable	240,291	1,360,076
Payments to and on account of leavers	473,373	308,332
Fees and Expenses	-	-
Total Expenditure	713,664	1,668,408
FUND BALANCE		
Income <i>less</i> Expenditure	545,471	(24,477)
Change in Market Value of Investments	458,219	871,052
VALUE OF THE PLAN AT THE END OF THE YEAR	15,936,716	14,933,026

General Information

State Pensions

Membership of the RBP 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.

Form BR19 can be obtained from your local Department for Work and Pensions Office or can be obtained online at: 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 paying a 'full level' of £8,092 per annum.

From 6 April 2016 the Basic State Pension for anybody who was already receiving State Pension prior to 6 April 2016 is as follows:

- For a single person is £6,204 per annum
- For a married couple is £12,408 per annum where both partners have a full benefit entitlement.

State Pension Ages

You may be aware of the Government's announcement to gradually increase the State Pension Age for women from 60 to 65 over the period to 2018.

From December 2018, male and female State Pension Ages will progressively increase from age 65 to age 66 by 2020. Also, an independent review of State Pension Ages is underway, considering changes in life expectancy and wider changes in society. The review is looking at the period after April 2028, when the State Pension Age increases to age 67.

The review will be submitted to the Government by January 2017, with the Government announcing the outcome of the review before 7 May 2017. To check your State Pension Age, go to 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

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.

Expression of Wish form

Your Expression of Wish form tells the Trustee whom 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. Forms may be obtained from the Payroll Department or are available 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.

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

Or

Matthew Pickett

JLT Benefit Solutions
St James's Tower, 7 Charlotte Street, Manchester M1 4DZ

Tel: 0161 931 4582