

January 2012



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. Please note that we continue to issue separate newsletters for the RBP (Retirement Benefits Plan) and the MRA to ensure members receive information relevant to their circumstances.

The main aim of the Newsletter is to update you on the status of the Plan, especially with reference to the latest available audited accounts ("the Report and Financial Statements") as at 31 December 2010. We also take the opportunity to include updates on current developments affecting pensions including a recap on tax relief changes from April 2012 and more information about "auto enrolment" for UK pension schemes. In terms of the wider picture, whilst the world economy has experienced some recovery since the worst of the credit crisis in 2008/9, growth in most Western economies is very sluggish. Indeed, fears of a "double-dip" recession remain, particularly in the light of recent events in the Eurozone.

Inevitably, this environment leads to increased pressure on pension schemes through the impact on stock markets and overall trading conditions. In view of this, the Trustees continue to monitor investment strategy and performance closely.

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

There have been no changes in the trustee board since the last newsletter was issued. 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 2010 the MRA had 263 active members and 157 deferred members. Comparative figures as at 31 December 2009 were 241 and 156.



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 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.

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 Retirement Account 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.

Recent Pensions Developments

Tax Relief

As mentioned in the previous newsletter, the Government has announced a number of changes to tax relief on pension schemes. The changes will not affect most members, so unless you have substantial pension expectations or make large contributions to the Plan there is probably no need for you to take any action. In any case, the position is summarised below for your information.

With effect from 6 April 2011, the Annual Allowance on tax relievable pension saving reduced from £255,000 to £50,000. This means that, for this tax year, 2011/2012, the maximum total contribution that can be paid into the Plan (and any other UK pensions you may have) **and still** receive tax relief is £50,000. This limit will apply to future tax years as well and will not be reviewed before 2015.

With effect from 6 April 2012, the 'Lifetime Allowance' on pension benefits that can be provided without a tax charge will reduce from the present £1.8 million to £1.5 million. Anyone whose accumulated pensions exceed this amount when benefits are drawn will suffer an additional tax on their benefits.

What are considered 'substantial' pensions?

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.**

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: £15,000pa
so $£15k * 20 = £300,000$
Total value of benefit to be compared to the Lifetime Allowance of £1.5M is £450,000

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

Auto Enrolment and NEST

From next year employers will be required to automatically enrol employees into "qualifying" pension schemes on a phased basis, depending on size of workforce. LSM will be required to comply in February 2014. A new workplace pension arrangement known as NEST will be the default option for employers that do not provide a qualifying pension scheme. However, NEST is not expected to be used by LSM because it intends to use the 2006 Plan as a qualifying scheme instead. For this purpose some small adjustments may need to be made to the contribution structure in due course.

From February 2014, new employees will be automatically enrolled in the Plan (unless they opt out). Further information will be provided when it is available.

Equitable Life

Some members of the Plan have legacy Additional Voluntary Contributions (AVC) policies with Equitable Life. Earlier this year, Equitable Life announced an initiative to uplift with profits policy holder funds by 12.5% for members who agree to transfer their policy out of Equitable Life. Information was provided to the relevant members at the time. If you have any further questions on this please use the contacts under Further Information at the end of the Newsletter.

Separately, the Government is considering recommendations regarding the distribution of compensation funds for Equitable Life policyholders for any premiums paid and annuities purchased between September 1992 and December 2000. Further information is awaited from the Government on this.

Investments

Asset Value

The market value of the Plan's assets increased over the accounting year from £6.2 million as at 31 December 2009 to £8.2 million as at 31 December 2010. Please note this figure does not include external AVC values. The value of the fund has decreased slightly to £8 million as at 30 September 2011 following a sustained period of stock market volatility, primarily as a result of ongoing Eurozone uncertainty.

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.

Returns on the Legal and General funds over the year to 31 December 2010 were positive but the updated performance to 30 September 2011 is more mixed. 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 2010 and 30 September 2011 are as follows:

	YEAR ENDING 31 DECEMBER 2010		YEAR ENDING 30 SEPTEMBER 2011	
	Fund %	Index %	Fund %	Index %
Global Equity 50:50 Index	14.8	14.8	-4.7	-4.6
UK Equity Index	14.5	14.5	-4.3	-4.4
Over 5yr index linked Gilts	9.0	9.0	13.5	13.6
Property	12.3	9.6	7.3	5.5
Cash	0.4	0.4	0.5	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.

Summary MRA Accounts for the year to 31 December 2010

The following is an extract from the accounts for the year ended 31 December 2010. A full version is available upon request.

Figures for the year ended 31 December 2009 are also provided for information.

	2010(£)	2009(£)
VALUE OF THE PLAN AT THE START OF THE YEAR	6,634,826	4,928,171
INCOME		
Contributions:		
<i>Company's:</i>		
Normal	694,880	698,401
Other	-	-
<i>Members':</i>		
Normal	335,565	292,471
Additional Voluntary Contributions	38,242	37,029
Investment Income (interest on bank accounts)	15	29
Transfers in	34,310	47,872
Transfers between sections	(12,673)	(93,798)
Total Income	1,090,339	982,004
EXPENDITURE		
Benefits Payable	32,531	325,064
Payments to and on account of leavers	39,644	11,951
Fees and Expenses	-	-
Total Expenditure	72,175	337,015
FUND BALANCE		
Income <i>less</i> Expenditure	1,018,164	644,989
Change in Market Value of Investments	1,031,734	1,061,666
VALUE OF THE PLAN AT THE END OF THE YEAR	8,684,724	6,634,826

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 2011 the Basic State Pension is as follows:

- For a single person is £5,311.80 per annum
- For a married couple is £8,494.20 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

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Jardine Lloyd Thompson Benefit Solutions
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7 Charlotte Street
Manchester
M1 4DZ

Tel: 0161 931 4460

