

March 2013



PENSIONS NEWSLETTER

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

A Warm Welcome

This report contains summary details about the Plan’s finances and investments and also provides information on the running of the Plan. The key financial information has been taken from the last completed audited Trustees’ Report and Accounts for the year ended 31 December 2011, a copy of which is available on request (see contact details at the end of the report).

During 2012, the Trustees focussed on the increasingly important area of pension scheme governance. A quality review of the Plan’s data has been completed and the Trustees are now in the middle of looking at the internal controls in place for the administration of the Plan. In addition they have been reviewing their “Trust Deed and Rules” – the critical document that governs all aspects of the management of the Plan, both in terms of the duties of the Trustees and what/how benefits are paid. This major exercise is ongoing but the Trustees hope to have a brand new and up to date Rules document in the first half of 2013.

More generally, the Trustees continue to operate the Plan in very uncertain economic times. Whilst the UK emerged from recession in the third quarter of 2012, it promptly slipped back into negative growth in the fourth quarter and most commentators agree that Western growth will remain hard to come by. Moreover, this is against a backdrop of slowing growth in China and other emerging regions.

With regards to LSM, the Trustees were interested to learn of the plans to separate the aluminium business and set it up as a stand-alone entity. The Trustees are still working through all the implications of this for the pension scheme. In the meantime, please note that AMG Aluminium UK is now a participating employer of the Plan.

Finally, we would like to take this opportunity to congratulate John Bradbury and John Murrie who both succeeded in being re-elected as your Member Nominated Trustees.

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 of Jardine Lloyd Thompson, 6 Crutched Friars, London EC3N 2PH.

The Plan's Trustees and their Advisors

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. The current Trustees of the Plan are as follows:

David Beare – Corporate Director

Jonathan Hamer – Finance Director

John Murrie – Member Nominated Trustee

John Bradbury – Member Nominated Trustee

The Trustees are responsible for managing the Plan in accordance with the Plan's governing documents and prevailing law. They also 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 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.

Auditors

Grant Thornton LLP

The Auditor is responsible for reporting to the Trustees as to whether the annual accounts give a true and fair view and as to whether contributions have been paid in accordance with the Plan's Rules and the Schedule of Contributions.

Bankers

Royal Bank of Scotland

The Trustees have their own bank account which is separate from any Company bank account.

Administrators and Consultants

JLT Benefit Solutions Limited (JLT)

The administrator maintains the membership records and checks that contributions due each month are paid within the statutory deadline. They are also responsible for ensuring the contributions received each month are correctly processed and invested.

In addition, JLT Benefit Solutions:

- calculate and arrange for the payment of members' benefits
- produce the annual benefit statements
- manage and produce the Plan accounts
- act as Secretary to the Trustees at their regular meetings

- provide advice to the Trustees to ensure that the Plan continues to meet its statutory obligations

JLT is also the Trustees' appointed Investment Consultant. This service includes:

- Monitoring and reporting on investment performance.
- Advice on developments in investment markets
- Advising on and implementing changes to investment strategy.

Investment Managers:

Legal & General Assurance (Pensions Management) Limited

The investment managers look after the day to day investment of the Plan's assets.

Legal Advisors:

Eversheds

The legal advisors will provide any legal advice the Trustees may require from time to time and will produce the Plan's governing documentation.

How many members?

At 31 December 2011 the MRA had 288 active members and 161 deferred members. Comparative figures as at 31 December 2010 were 263 and 157.



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.

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.

Some Key Activities / Pension matters

Plan Governance

The Trustees have adopted a governance policy which formalises the processes in place for the effective management of the Plan including compliance monitoring and risk management.

The Trustees also have a policy in respect of conflicts of interest together with a conflicts register which is reviewed at each Trustees' meeting. This encompasses the Trustees' professional advisers and service providers. During the year, the Trustees revised this policy to incorporate a section on the new Bribery Act 2010, and put in place a gifts and hospitality register in order to show compliance with that Act. The Trustees do not offer, provide, accept or receive any inducements.

The Trustees are mindful of the various risks faced by the Plan and therefore periodically reviews the controls in place to manage those risks. The Trustees last conducted a full review three years ago and are now in the process of carrying out an updated review. The Trustees will report back at in the next Annual Newsletter.
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Data Cleansing

The Pensions Regulator has recognised that, in many pension schemes, membership history could go back many years and the quality of membership data held could therefore be lacking. This could be due to changes in administrators, record keeping methods and transfers in from other schemes where detailed records no longer exist. As a result, the Regulator has issued guidance urging trustee boards to carry out a review of membership data with view to improving the overall quality of pension scheme records.

The Trustees, in conjunction with JLT Benefit Solutions, the Plan's Administrator, have been undertaking a data cleansing review exercise to determine the overall quality of the membership data held on JLT's systems. The first stage of the work, relating to "common data" (e.g. names, addresses, national insurance numbers etc.) was completed satisfactorily during 2012 and the remaining stage, in respect of "conditional data" (ie numerical data including benefits, transfers in etc.), is due to be addressed in 2013.

Review of Trust Deed and Rules

In conjunction with the Plan's advisers, the Trustees are in the middle of carrying out a major 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.

It is expected that the Rules will be finalised during the first half of 2013.

Tax Relief

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, 2012/2013, 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 (but see "Update" below).

With effect from 6 April 2012, the 'Lifetime Allowance' on pension benefits that can be provided without a tax charge reduced from £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 (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: £15,000pa

so $£15,000 * 20 = £300,000$

Total value of benefit to be compared to the Lifetime Allowance of £1.5m is £450,000

Update

The Chancellor announced in his 2012 Autumn Statement that, from April 2014, the Annual Allowance is to reduce further to £40,000 and the Lifetime Allowance from £1.5m to £1.25m.

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

LSM will be required to automatically enrol employees into a "qualifying" pension scheme with effect from February 2014. The Trustees understand that LSM intends to use the 2006 Plan as the qualifying scheme for this purpose. Some small adjustments may need to be made to the contribution structure and further details will follow during 2013.

Equitable Life

Equitable Life closed to new business in 2000, following a legal fight over the legitimacy of its approach to paying bonuses for policies with guaranteed annuity rates. Although guaranteed rates had not been offered with new policies since 1988, the impact of the resultant increase in liabilities meant Equitable Life was close to collapse. In 2009 the Government accepted some degree of responsibility and subsequently established the Equitable Life Payment Scheme, which is separate from Equitable Life itself.

Some members of the Plan have legacy Additional Voluntary Contributions (AVC) policies with Equitable Life.

From February 2013 the Equitable Life Payment Scheme will start to make ex-gratia payments to qualifying members in respect of investments in Equitable Life's With-Profits fund made between September 1992 and December 2000.

A further update will be provided to affected members once the Plan receives contact from the Payment Scheme.

Investments

Asset Value

The market value of the MRA's assets increased over the accounting year from £8.2 million as at 31 December 2010 to £8.9 million as at 31 December 2011. The value of the fund has since increased to £10.6 million as at 31 December 2012. Please note these figures do not include external AVC values.

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 annuities generally become cheaper through financial market movements, it would be expected that the value of the Annuity Protection Fund would go down. If annuities become more expensive through financial market movements, the value of your Annuity Protection Fund Member Retirement Account will generally increase. The Cash Fund aims to stabilise the effect on your Member Retirement Account for that part of the fund that will be converted into a cash sum.

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. 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 Plan. Another occasion will arise when you come to set up your retirement income.

The table below sets out the performance of the current MRA funds over various periods to 31 December 2012.

	QUARTER ENDING 31 DECEMBER 2012		YEAR TO 31 DECEMBER 2012	
	Fund %	Index %	Fund %	Index %
Global Equity				
50:50 Index	3.9	3.9	12.4	12.4
UK Equity Index	3.8	3.8	12.3	12.3
Over 5yr index linked Gilts	5.0	5.0	0.4	0.5
Property	0.6	-0.7	1.8	-1.2
Cash	0.1	0.1	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

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.

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.

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 2011

The following is an extract from the accounts for the year ended 31 December 2011. A full version is available upon request. Figures for the year ended 31 December 2010 are also provided for information.

	2011(£)	2010(£)
VALUE OF THE PLAN AT THE START OF THE YEAR	8,684,724	6,634,826
INCOME		
Contributions:		
<i>Company's:</i>		
Normal	745,567	694,880
Other	-	-
<i>Members':</i>		
Normal	360,531	335,565
Additional Voluntary Contributions	45,617	38,242
Investment Income (interest on bank accounts)	14	15
Transfers in	-	34,310
Transfers between sections	(6,810)	(12,673)
Total Income	1,144,919	1,090,339
EXPENDITURE		
Benefits Payable	178,751	32,531
Payments to and on account of leavers	33,590	39,644
Fees and Expenses	-	-
Total Expenditure	212,341	72,175
FUND BALANCE		
Income <i>less</i> Expenditure	932,578	1,018,164
Change in Market Value of Investments	(286,661)	1,031,734
VALUE OF THE PLAN AT THE END OF THE YEAR	9,330,641	8,684,724

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 2012 the Basic State Pension is as follows:

- For a single person is £5,587.40 per annum
- For a married couple is £8,936.20 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

Karen Kerr
Jardine Lloyd Thompson Benefit Solutions
St James's House
7 Charlotte Street
Manchester
M1 4DZ
Tel: 0161 931 4460

