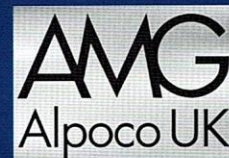


November 2015



# PENSIONS NEWSLETTER – RBP SUPPLEMENT

## For members of the Member Retirement Account (MRA) with Retirement Benefits Plan (RBP) Benefits

### Introduction

This supplement to the MRA newsletter is for all those AMG UK employees who are members of the MRA but who also retain an entitlement under the RBP. It describes matters specific to the RBP; in particular in relation to funding and investment.

#### The year's financial highlights

At the accounting year end, 31 December 2014:

- The value of the RBP section of the Plan's assets stood at £65.1 million.
- Company contributions totalling £1.1 million were paid into the RBP section.
- Pensions and other benefits paid to members amounted to £3.1 million.

### Annual Statements

To better support members we have agreed with our administrators that they will produce annual benefit statements giving an up to date value of your benefits preserved in the Plan. You will receive the first statement before the end of the year.

### Running the Plan

In addition to the advisers mentioned in the MRA Newsletter, the Trustee Directors are required to appoint a Plan Actuary in respect of the RBP section of the Plan. The current Plan Actuary is Andrew Firkbank FIA who is responsible for assisting the Trustee Directors with the Triennial Actuarial Valuation.

### Investments

The Trustee has been looking at ways of managing the portfolio to make the execution of their investment strategy more efficient. In particular, the Trustee is proceeding with the implementation of a "Platform" structure for the Plan's investments making it easier to adjust asset allocation and to react to market changes.

#### Asset Value

The market value of the RBP's assets increased by £6.5 million over the accounting year to £65 million, even though £3.1 million of benefits were paid out over the same period. Since the accounting year end, the market value of the RBP's assets is unchanged as at 31 July 2015.

#### Investment Performance

Over the 12 month period to 31 December 2014, both the Standard Life and Baillie Gifford diversified growth funds have been ahead of their respective benchmark net of fees.

The total LGIM performance for the year, which covers the Plans' holding in three funds, was positive reflecting a decrease in bond yields. All three funds performed in line with their benchmarks.

The Trustee Directors monitor the performance of the Plan's investment managers at every meeting and the investment managers are invited to attend Trustee Company meetings periodically.

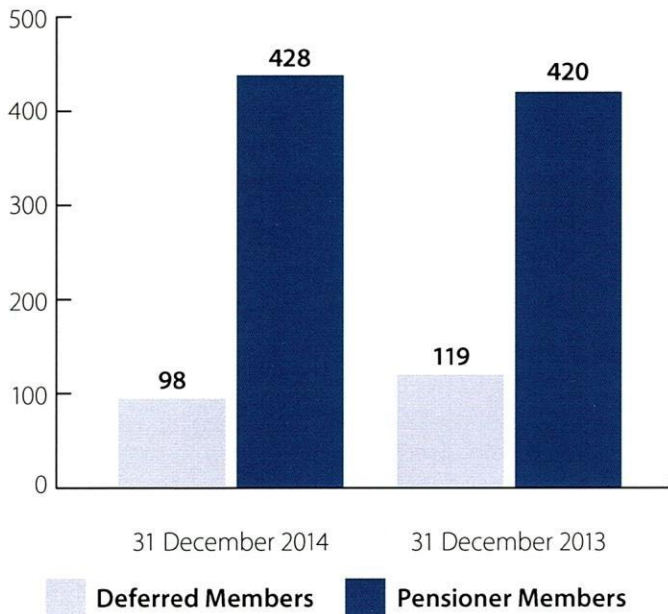
The performance for the RBP funds for the years ending 31 December 2013 and 31 December 2014 are as follows:

	YEAR ENDING 31 DECEMBER 2013	YEAR ENDING 31 DECEMBER 2014
	Fund (%)	Fund (%)
Standard Life GARS	7.0	5.7
Baillie Gifford DGF	5.4	5.3
LGIM Funds	-0.8	20.2



## How many members?

At the end of the accounting year 31 December 2014 the RBP had 98 deferred members and 428 pensioners. Comparative figures as at 31 December 2013 are 119 deferred members and 420 pensioners.



A pensioner member is someone who is already in receipt of a pension from the Plan. All of the remaining members of the RBP 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.

### Retirement Options

If you have not already retired you will have the following options when you retire:

- Take your full pension.
- Take a cash lump sum (currently tax free) and a reduced pension.
- Transfer funds to another pension scheme (which would require advice if the value is over £30,000, see also Budget section opposite).

### Pension Increases

Pensions under the RBP increase on the 15 April each year, at the following rates:

For members who left prior to 6 April 1988

- 3% per annum

For members who left after 6 April 1988

- 5% for service completed prior to 1 January 2000
- In line with the increase in the Retail Prices Index (RPI) to a maximum of 5% for service completed after 1 January 2000.

### Pension increases in deferment

The rules of the Plan make provision for some pensions to be protected against inflation in the period from the date pensionable service ceases to the date the pension is put into payment in line with the requirements under pensions legislation. That inflation protection, under pensions legislation, is by reference to the RPI for all leavers after the 1 January 1991. If you left the Plan prior to 1 January 1991, the inflation protection is by reference to RPI for periods up to 31 December 2010 and to the Consumer Prices Index (CPI) for periods commencing on or after 1 January 2011.

For the avoidance of doubt if there is any difference between the contents of this report in this respect and the Plan's formal trust deed and rules (as amended from time to time), the latter will prevail.

### Budget Changes 2014 introduced April 2015

Please refer to the MRA Newsletter which includes a detailed summary of the changes. It is worth reiterating that the new flexibilities relate to Defined Contribution (DC) benefits and so do not directly affect RBP members. Nonetheless, it may be possible for RBP members to take advantage of the new flexibilities if they transfer out of the RBP.

If the value of a transfer from the RBP to a DC arrangement is £30,000 or greater, you will be required to obtain independent financial advice from a regulated adviser and to provide evidence that advice has been received to the Trustee. Until the Trustee is satisfied that advice has been received, they are unable to permit a transfer.



## Summary Funding Statement as at 31 December 2014

### Ongoing Valuation

The Trustee is now able to present the results of the latest approximate actuarial assessment as at 31 December 2014.

On a continuing basis the funding position of the Plan as at 31 December 2014 (the valuation date) and at 31 December 2012 (the previous full valuation date) was as follows:

DATE OF ASSESSMENT	31 DECEMBER 2014	31 DECEMBER 2012
Liabilities	£69.0m	£64.0m
Assets	£65.0m	£59.4m
(Shortfall)/Surplus	(£4.0m)	(£4.6m)
Funding level	94%	93%

The funding position has improved since the last full valuation in 2012 but has deteriorated slightly since the last statement following the 31 December 2013 approximate actuarial assessment. This deterioration was primarily due to falls in the yields available on corporate bonds which are used to value the liabilities. The fall in yields has been partially offset by AMG UK's continued significant deficit reduction contributions.

AMG UK has agreed to contribute £83,333 per month (equivalent to £1m per annum) for the period to 30 September 2017, at which point it is anticipated that the deficit will be removed. AMG UK has also committed to pay into the Plan 10% of any dividends paid to shareholders from 1 January 2015.

The Trustee acknowledges AMG UK's ongoing commitment to support the Plan.

### The importance of AMG UK's support

The Trustee's objective is to have enough assets to pay pensions now and in the future. However, success of the funding plan relies on AMG UK continuing to support the Plan because:

- AMG UK will be paying the future expenses of running the Plan on an annual basis.
- The funding level can fluctuate and where there is a funding shortfall AMG UK will usually need to put in more money.
- The target funding level may turn out not to be enough so that AMG UK may need to put in more money.

### Payments to AMG UK

There have never been any payments to AMG UK out of Plan funds.

### Winding-up Valuation

Legally, we are required to provide members with the following information:

If the Plan had been wound up on the 31 December 2012, there would have been a deficit of around £35.9 million (assuming the assets of the Plan were used to secure members' benefits with an insurance company). The assets would have been sufficient to provide on average 62% of members' full benefits.

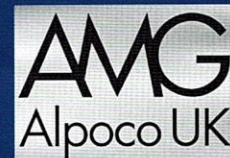
This may appear worrying but it is important to understand that, in the first instance, AMG UK would have been required by legislation to pay a lump sum into the Plan to finance the deficit of £35.9 million, if it were able to do so. If AMG UK had gone out of business and was not able to pay the amount required to secure the benefits in full, the Pension Protection Fund (PPF), which was established by the Government in April 2005, would provide for a minimum level of benefit. If you would like to know more about the PPF then please visit their website at [www.pensionprotectionfund.gov.uk](http://www.pensionprotectionfund.gov.uk)

**The fact that we have shown the winding-up position does not mean that AMG UK is actually thinking of winding-up the Plan.**

#### Important:

If you are thinking of transferring your benefits out of the Plan for any reason you should always consult a regulated Independent Financial Adviser, before taking any action. Indeed, if your transfer value from the RBP exceeds £30,000 it is now a legal requirement to seek such advice (and provide evidence of it), in order to transfer to a money purchase arrangement. A list of advisers can be found at <http://www.unbiased.co.uk/find-an-adviser> or you can telephone: **0330 1000 755**.





## Summary RBP Accounts for the year to 31 December 2014

The following is an extract from the accounts for the year ended 31 December 2014. A full version is available upon request. Figures for the year ended 31 December 2013 are also provided for information.

	2014 (£)	2013 (£)
<b>VALUE OF THE PLAN AT THE START OF THE YEAR</b>	<b>58,532,974</b>	<b>59,406,193</b>
<b>INCOME</b>		
Contributions:		
<i>Company's:</i>		
Normal	-	-
Special*	1,070,258	1,767,782
<i>Members':</i>		
Normal	-	-
Investment Income	25,109	42,639
Transfers in	-	-
Other Income	30,647	54,147
Transfers between sections	5,967	47,257
<b>Total Income</b>	<b>1,131,981</b>	<b>1,911,825</b>
<b>EXPENDITURE</b>		
Benefits Payable	3,099,975	2,964,468
Payments to and on account of leavers	-	-
Insurance Premiums	119,489	136,748
Fees and Expenses	335,868	338,392
<b>Total Expenditure</b>	<b>3,555,332</b>	<b>3,439,608</b>
<b>FUND BALANCE</b>		
Income <i>less</i> Expenditure	(2,423,351)	(1,527,783)
Change in Market Value of Investments	8,967,282	654,564
<b>VALUE OF THE PLAN AT THE END OF THE YEAR</b>	<b>65,076,905</b>	<b>58,532,974</b>

\* Comprising deficit removal payments of £833,333 and a special payment of £236,925 following the AMG Superalloys UK Limited dividend payment to the parent company.