

ASARCO

SUMMARY ANNUAL REPORT - ASARCO RETIREMENT INCOME PLAN

To Plan Participants and Beneficiaries:

As Plan Administrator of the Asarco Retirement Income Plan for Hourly-Rated Employees, we are pleased to give you the attached pages from the Plan's annual report which has been filed with the Department of Labor. These pages contain schedules showing assets and liabilities of the Plan as of June 30, 1976 and changes which have occurred in them during the year. Plan assets represent investments made from contributions to the Plan over the years. These assets are held in part in an irrevocable trust and in part by the Metropolitan Life Insurance Company, and can only be used to provide your benefits and pay expenses of the plan.

Starting as of July 1, 1976, certain minimum funding standards will be regulated by Federal law, but the Plan is already meeting Federal standards.

To provide you with additional protection, the Company pays premiums each year to the Pension Benefit Guaranty Corporation (PBGC) established by Congress in 1974. The PBGC ensures payment of vested benefits to the extent provided by law for participants.

Plan participants and beneficiaries may obtain copies of the following more detailed annual report information, for a reasonable charge, or inspect without charge the latest full annual report of the Plan,

or any parts of the report; a list of any assets held for investments;
a list of certain "party in interest" transactions, any loans or
obligations in default and any leases in default (none for the plan);
and a list of transactions involving more than 3% of Plan assets.

To obtain a copy of any documents listed, write to the Plan administrator, asking for what you want. The Plan administrator will state the charge for a specific document on request so that you can find out the cost before ordering. All the documents listed can be examined at the New York Office, Room 3333, 120 Broadway, New York, New York 10005.

Attached for your review are the following pages from the Annual Report:

1. Statement of Assets
2. Statement of Income & Expense
3. Statement of Insurance Information - Schedule A
4. Notes to Financial Statements.

We hope you will find this report to be helpful.

Asarco Pension Board
Plan Administrator
120 Broadway
New York, New York 10005
Tel: No. (212) 732-9500
By Dolores I. McGuinn, Secretary

October 1977

Nota: Para aquellos empleados con solo conocimientos del idioma español, el Departamento de Personal les dará ayuda para comprender el contenido de este reporte.

13 Assets and liabilities (list all assets and liabilities at current value except on line 13(i), show book value):

Note: Include all plan assets and liabilities of a trust or separately maintained fund. (If more than one trust/fund, report on a combined basis.) Include unallocated insurance contracts.

Assets	a. Beginning of year	b. Acquisitions	c. Dispositions	d. End of year
(a) Cash: (i) On hand				
(ii) In bank: (A) Certificates of deposit				
(B) Other interest bearing				
(C) Noninterest bearing	595,897			1,101,686
(iii) Total cash	595,897			1,101,686
(b) Receivables: (i) Employer contributions	1,754,407			1,681,590
(ii) Employee contributions	-			-
(iii) Other	134,860			1,048,335
(iv) Reserve for doubtful accounts	-			-
(v) Net receivables, sum of (i), (ii) and (iii) minus (iv)	1,889,267			2,729,925
(c) General investments other than party-in-interest investments:				
(i) U.S. Government securities	-			
(ii) State and municipal securities	-			
(iii) Corporate debt securities	5,592,845			5,498,347
(iv) Corporate stocks—(A) Preferred	300,375			715,500
(B) Common	31,132,409			35,165,528
(v) Shares of a registered investment company	-			
(vi) Real estate	-			
(vii) Mortgages	-			
(viii) Loans other than mortgages	-			
(ix) Value of interest in pooled fund(s)	-			
(x) Other investments	-			
(xi) Total general investments, sum of (i) through (x)	37,025,629	80,952,000	76,915,000	41,379,375
(d) Party-in-interest investments:				
(i) Corporate debt securities				
(ii) Corporate stocks—(A) Preferred				
(B) Common				
(iii) Real estate				
(iv) Mortgages				
(v) Loans other than mortgages				
(vi) Value of interest in pooled fund(s)				
(vii) Other investments				
(viii) Total party-in-interest investments, sum of (i) through (vii)	-	-	-	-
(e) Buildings and other depreciable property—net	-			-
(f) Value of unallocated insurance contracts:				
(i) Separate accounts				
(ii) Other	15,684,001			18,545,102
(iii) Total, (i) plus (ii)	15,684,001			18,545,102
(g) Other assets	-			-
(h) Total assets, sum of (a)(iii), (b)(v), (c)(xi), (d)(viii), (e), (f)(iii) and (g)	55,194,794			63,756,088
(i) Book value of all assets	51,119,209			58,760,572
Liabilities				
(j) Payables: (i) Plan claims	-			-
(ii) Other payables	857,762			1,011,076
(iii) Total payables, (i) plus (ii)	857,762			1,011,076
(k) Acquisition indebtedness	-			-
(l) Other liabilities	-			127,556
(m) Total liabilities, sum of (j)(iii), (k) and (l)	857,762			1,138,632
(n) Net assets, (h) less (m)	54,337,032			62,617,456

Beginning assets plus or minus acquisitions and dispositions will not necessarily equal the ending balance.

14 Income, expenses and changes in net assets:

Note: Include all income and expenses of a trust(s) or separately maintained fund(s).

Income		a. Amount	b. Total
(a) Cash contributions by—			
(i) Employer(s) (including contributions on behalf of self-employed individuals)		9,823,860	
(ii) Employees			
(iii) Others			9,823,860
(b) Noncash contributions (specify nature and by whom made) ▶			
(c) Total contributions, sum of (a) and (b)			
(d) Earnings from investments—			
(i) Interest			
(ii) Dividends		1,680,251	
(iii) Rents			
(iv) Royalties			1,680,251
(e) Net realized gain (loss) on sale or exchange of assets—			
(i) Aggregate proceeds		78,609,351	
(ii) Aggregate costs		76,915,037	1,694,314
(f) Other income (specify) ▶			
	Income from I.P.G. Fund		1,643,179
(g) Total income, sum of (c) through (f)			14,841,604
Expenses		a. Amount	b. Total
(h) Distribution of benefits and payments to provide benefits—			
(i) Directly to participants or their beneficiaries		7,202,966	
(ii) To insurance carrier or similar organization for provision of benefits		-	
(iii) To other organizations or individuals providing welfare benefits		-	7,202,966
(i) Interest expense			
(j) Administrative expenses—			
(i) Salaries and allowances			
(ii) Fees and commissions		341,171	
(iii) Insurance premiums for Pension Benefit Guaranty Corporation			
(iv) Insurance premiums for fiduciary insurance other than bonding			
(v) Other administrative expenses			341,171
(k) Other expenses (specify) ▶			
(l) Total expenses, sum of (h) through (k)			7,544,137
(m) Net income (expenses), (g) minus (l)			7,297,467
Change in net assets		a. Amount	b. Total
(n) Change in net assets—			
(i) Unrealized appreciation (depreciation) of assets		982,957	
(ii) Other changes (specify) ▶		-	982,957
(o) Net increase (decrease) in net assets for the year, (m) plus (n)			8,280,424
(p) Net assets at beginning of year, line 13(n), column a			54,337,032
(q) Net assets at end of year, (o) plus (p) (equals line 13(n), column d)			62,617,456

15 The following questions relate to the plan year. If (a), (b) or (c) is checked "Yes," schedules of such items that include the information set forth in the instructions are required to be attached to the copy of this form that is filed with IRS:		Yes	No
(a) Did any transaction involving plan assets involve a person known to be a party-in-interest?			X
(b) Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectable?			X
(c) Were any leases to which the plan was a party in default or classified during the year as uncollectable?			X

16 Amount of delinquent employer contributions not yet received by the end of the year ▶ -0-

17 Has there been any change since the last report in the appointment of any trustee, accountant, insurance carrier, enrolled actuary, administrator, investment manager or custodian?

If "Yes," explain ▶ Appointment of Coopers & Lybrand, Certified Public Accountants, 1251 Avenue of the Americas, N.Y., N.Y. 10020 as accountants

**SCHEDULE A
(Form 5500)**

Department of the Treasury
Internal Revenue Service

Department of Labor
Labor Management Services Administration

Insurance Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974, referred to as ERISA.

▶ Attach to Forms 5500, 5500-C, and 5500-K filed with DOL, if applicable.

▶ Do not file with IRS.

1975

This Form Is
Open to Public
Inspection

For plan year beginning **July 1**, 19 **75** and ending **June 30**, 19 **76**

- ▶ Part I must be completed for all plans required to file this schedule.
 - ▶ Part II must be completed for all insured pension plans.
 - ▶ Part III must be completed for all insured welfare plans.
- ▶ Please complete all applicable items on this Form. If an item does not apply, enter "NA".

Name of sponsor as shown on line 1(a) of Form 5500, 5500-C or 5500-K Asarco Incorporated	Employer identification number 134924440
Name of plan Retirement Income Plan	Plan number 002

Part I Summary of All Insurance Contracts Included in Parts II and III
Group all contracts in the same manner as in Parts II and III.

1 Check appropriate box:
(a) Welfare plan (b) Pension plan (c) Combination pension and welfare plan

2 Coverage:

(a) Contract number or identification	Approximate number of persons covered at end of policy or contract year				Policy/Contract Year	
	Active		Retired		(f) From	(g) To
	(b) Employees	(c) Dependents	(d) Employees	(e) Dependents		
Metropolitan Life Insurance Company - GAC 499	6825	-	2761	-	Jan	Dec

3 Insurance fees and commissions paid to general agents, brokers or other persons:

(a) Contract number or identification	(b) Name and address of each recipient of fees or commissions	(c) Amount of commissions paid	(d) Amount of fees paid	(e) Purpose for which paid
GAC 499	N/A	0	0	0

4 Premiums due and unpaid at end of the plan year ▶ \$ _____ , contract number, or identification ▶ _____

Part II Insured Pension Plans
Provide information for each contract on a separate Part II. Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

5 Contracts with allocated funds, for example, individual policies or group deferred annuity contracts:

(a) State the basis of premium rates ▶ _____

(b) Total premiums paid to carrier

(c) If the carrier, service or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in 3 above, enter amount

Specify nature of costs ▶ _____

6 Contracts with unallocated funds, for example, deposit administration or immediate participation contract. Do not include portions of these contracts maintained in separate accounts:

(a) Balance at end of previous policy year		14,683,733
(b) Additions:		
(i) Contributions deposited during year	3,250,935	
(ii) Dividends and credits	-	
(iii) Interest credited during year	942,244	
(iv) Transferred from separate account	-	
(v) Other (specify) ▶ _____	-	
(vi) Total additions		4,193,179
(c) Total of balance and additions, (a) plus (b)(vi)		18,876,912
(d) Deductions:		
(i) Disbursed from fund to pay benefits or purchase annuities during year	852,474	
(ii) Administration charge made by carrier	66,101	
(iii) Transferred to separate account	-	
(iv) Other (specify) ▶ Taxes, Risk Chgs & Interest	26,988	
(v) Total deductions		945,563
(e) Balance at end of current policy year, (c) less (d)(v)		17,931,349
7 Separate accounts: Current value of plan's interest in separate accounts at year end		-0-

NOTES to FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

The significant accounting policies followed by the ASARCO Retirement Income Plan for Hourly Employees (the "Plan") are as follows:

Investments Valuation:

Investments in common and preferred stock are valued at the last reported sales price on the last business day of the plan year; U.S. Government and corporate bonds are valued at the mean between the last reported bid and asked prices on the last business day of the plan year.

Funds Held by the Metropolitan Life Insurance Company Under Group Annuity Contract:

Under the terms of a group annuity contract, assets are maintained in a general asset account of the Metropolitan Life Insurance Company ("Metropolitan").

The balance in the Plan's account represents the cumulative amount of deposits made by the Company adjusted for income or losses and expenses allocated to the account annually by Metropolitan, less transfers to the Plan's disbursing trustee for inclusion in benefits paid to participants.

The allocation of income or losses and expenses by Metropolitan is in accordance with the provisions of the group annuity contract (see Note 4).

Actuarial Method:

The actuarial cost method used to determine contributions to the Plan is the frozen initial liability cost method.

Contributions:

Contributions from ASARCO Incorporated (the "Company") are accrued based upon amounts determined by the Plan's actuaries.

Expenses:

Actuarial and trustee expenses are borne by the Plan. Administrative expenses are borne by ASARCO and are not reflected in the financial statements of the Plan.

- (b) Interest rate: 5%
- (c) Employee turnover: Decreasing from 11.25% at age 20 to 0 at age 55
- (d) Anticipated retirement: Increasing from 1.25% at ages 55-59 to 100% at age 65
- (e) Expense and contingencies: Liabilities are loaded 1%

NOTES to FINANCIAL STATEMENTS, Continued

Other:

Purchases and sales of securities are reflected on a trade-date basis. Average cost is the basis used in the determination of gain or loss on sales of securities.

Dividend income is recorded on the ex-dividend date. Interest income from debt securities and commercial paper is recorded as earned on an accrual basis. Interest income on commercial paper is calculated as the difference between purchase price and redemption value.

In accordance with the policy of stating investments at fair value, net unrealized appreciation or depreciation for the year is reflected in the statement of changes in net assets.

2. Benefits:

The Plan is a defined benefit plan to which the Company contributes such amounts as are necessary on an actuarial cost basis to provide the fund with assets sufficient to meet the benefits to be paid to plan members and surviving spouses, where elected.

The contributions of ASARCO Incorporated are designed to fund the Plan's current service costs in the following plan year and to fund over a total of twenty-five years the past service liability arising from plan changes. The net realized and unrealized gains and losses on investments of the Plan serve to reduce or increase future contributions that would otherwise be required to provide for the defined level of benefits under the Plan.

The present value of vested benefits (benefits to which participants are entitled, regardless of future service with the Company) under the Plan was calculated by consulting actuaries as of June 30, 1976. Such actuaries have advised the Company that the value of the accrued vested benefits to which the participants would be entitled upon termination exceed the market value of Plan assets at June 30, 1976 by approximately \$54 million. The significant assumptions underlying the actuarial computations are as follows:

- | | |
|--|---|
| (a) Mortality - before and after retirement: | 1971 Group Annuity Mortality Table for Males set back six years for Females |
| (b) Interest rate: | 5% |
| (c) Employee turnover: | Decreasing from 13.25% at age 20 to 0 at age 55 |
| (d) Anticipated retirement: | Increasing from 1.25% at ages 55-59 to 100% at age 65 |
| (e) Expense and contingencies: | Liabilities are loaded 1%. |

NOTES to FINANCIAL STATEMENTS, Continued

3. Investments:

Investments held by the Plan at June 30, 1976 and 1975 are summarized as follows:

<u>Description</u>	<u>Market Value</u>	<u>Cost</u>
At June 30, 1976:		
Corporate bonds and notes	\$ 5,498,347	\$ 5,299,987
Preferred stocks	715,500	616,164
Common stocks	<u>35,165,528</u>	<u>30,467,708</u>
	<u>\$41,379,375</u>	<u>\$36,383,859</u>
At June 30, 1975 (Unaudited):		
Corporate bonds and notes	\$ 5,592,845	\$ 5,452,355
Preferred stocks	300,375	266,190
Common stocks	<u>31,132,409</u>	<u>27,231,499</u>
	<u>\$37,025,629</u>	<u>\$32,950,044</u>

The Fund is permitted to invest up to 10% of the fair value of its total assets in the common stock of ASARCO Incorporated. No shares of ASARCO common stock are included above.

4. Funds Held by Metropolitan Life Insurance Company Under a Group Annuity Contract:

Funds held by the Metropolitan Life Insurance Company amounting to \$18,545,102 (30% of the net assets available for plan benefits) have been valued utilizing balances reported by Metropolitan for the year ended December 31, 1975, adjusted for contributions and benefit payments made for the six-month period ended June 30, 1976. Metropolitan has advised the Plan Fiduciary that complete information, including valuation of the funds held at June 30, 1976 and income earned thereon through that date, is not available.

The amounts included in the statement of changes in net assets representing income from assets held under a group annuity contract (\$1,643,179) and the related allocated expenses (\$93,089) included in "Investment Expenses" are those reported by Metropolitan for the year ended December 31, 1975. The amounts of contributions and benefit payments also included in the statement of changes in net assets have been adjusted to reflect actual payments for the year ended June 30, 1976.

NOTES to FINANCIAL STATEMENTS, Continued

5. Tax Status:

The Company is currently in the process of amending certain of the Plan's provisions to comply with the requirements of ERISA, including amendments to the Internal Revenue Code contained in ERISA. Such amendments will affect employee participation, vesting and other matters. The Plan and Trust as amended will be submitted in due course to the Internal Revenue Service for a determination letter that the amended Plan continues to be qualified under Section 401(a) of the Internal Revenue Code and to be exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. Such determinations have been received for the basic Plan and prior amendments. Management knows of no reason why such a determination should not be obtained from the Internal Revenue Service.

6. Amendments to the Plan:

The Company is currently in the process of amending certain of the Plan's provisions to comply with the requirements of ERISA. These revisions will affect employee participation, accrued benefits and vesting.

7. Federated Metals Corporation:

On January 1, 1976, Federated Metals Corporation ("Federated") was incorporated as a wholly owned subsidiary of ASARCO. At that time the Federated Metals Corporation Retirement Income Plan was established to pay benefits to hourly employees of Federated for service after December 31, 1975. Benefits related to service prior to that date will be paid by the ASARCO Retirement Income Plan. Such benefits are included in the vested benefits and prior service costs presented in the statement of net assets available for plan benefits.

8. Cement Asbestos Products Company:

A separate pension plan is being established retroactive to October 1, 1974 for the hourly employees of Cement Asbestos Products Company (CAPCO), a wholly owned subsidiary of ASARCO since that date. CAPCO's contributions to the ASARCO Retirement Income Plan of \$43,323 in fiscal 1976 and \$24,607 in fiscal 1975 are now considered attributable to the CAPCO plan. Included in "Other liabilities" is \$70,664, which represents the contribution due the CAPCO plan plus accrued interest at the plans' assumed rate of 5 per cent per annum.