LUXFER GROUP PENSION PLAN
NEWSLETTER
DECEMBER 2010

VIEW FROM THE CHAIRMAN OF THE TRUSTEES

This Newsletter gives a summary of the formal Trustees' Report and Accounts for the year ended 5 April 2010, together with comment on issues relating to the Plan and pensions in general.

NEW TRUSTEES

This has been another busy year for the Trustee Board, which was expanded to eight members during the year when we welcomed Peter Brock (pensioner trustee) Graham Bond (Magnesium Elektron) and Andrew Considine (MEL Chemicals) to the Board. I should add that Jim Simpson (Luxfer Gas Cylinders), a member-nominated trustee, has been re-elected by the Group Pensions Council to continue as a trustee for a further three years.

ACTUARIAL VALUATION

The main business for the Trustees during the year was the actuarial valuation. Information about the results of the valuation were distributed to members in September, and a copy of the summary funding statement can be found on the pension scheme website (see below for more information about this new development). We have included in this Newsletter some background to how the Trustees and the Company came to the agreement reported in the summary funding statement.

As I stated last year, the Company's continuing support for the Plan through their contributions is welcome. The Trustees receive regular presentations from the Company to help them understand the employers' ability to continue its support. The agreement following the actuarial valuation means the Company contribution will be more than double for many years to come. This represents a significant outgoing for the Company.

INVESTMENT

We have continued to review and refine our investment strategy. Further changes were made during the year, about which we comment in the investment report.

Overall the fund had a better year, recovering strongly from the disappointing low point at the beginning of the year but as we move towards the end of 2010 the future direction of investment markets has become less certain.

The Coalition Government elected in May 2010 have announced a number of policy changes affecting pension schemes. It is too early to assess fully their impact upon the Plan, especially since the detail of the policy changes has yet to be clarified. We have included an outline of the changes in the Newsletter, and further developments will be covered through the website.

Having concluded another eventful twelve months I would like to record my thanks to my fellow Trustees for their valuable input throughout the year.

I hope you will find this Newsletter of interest. If you have any comments or queries about the content of this Newsletter or the website please speak to your LPC or GPC representative, or contact David Mead, the Pensions Manager.

Dick Hirons
Chairman of the LGPP Trustees

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PENSION PLAN WEBSITE

We are pleased to announce the launch of the Luxfer pensions website at **www.luxferpensions.co.uk.**

The website will give members access to:

- News affecting pensions and retirement;
- Information about how the Plan works;
- Information about the Trustees;
- Plan documents, including the booklet, Annual Report and Accounts and Funding Information;
- Links to other useful websites
- Useful forms.

We hope you will find the website a useful additional source of information about your pension.

ACTUARIAL VALUATION

The actuarial valuation as at 5 April 2009 was concluded by the end of June 2010 and members will have seen the results in the Trustees' summary funding statement (a copy is available through the pensions website or on request from David Mead, the Pensions Manager).

The Trustees began the valuation early in 2009 by agreeing a timetable and discussing, with the actuary, the basis for the assumptions.

The Trustees also considered two key requirements of the Pensions Regulator:

- To understand the employer covenant; that is the resources available from the Company to support the Plan;
- To recognise and manage conflicts of interest.

For the first the Trustees commissioned an independent review of the Company's financial position, which the Trustees used in discussing the assumptions.

For the second theTrustee board was enlarged and two Trustees, both main board directors, stepped down from the Trustees' key discussions.

By the beginning of 2010 the Trustees had agreed with the Company the valuation assumptions and then negotiated the Company contributions to eliminate the funding deficit. This was agreed by the end of April 2010.

The Trustees and the Company have sought to eliminate the deficit over the shortest possible time, but not to exceed the resources available from the Company. Reducing the deficit will improve members' security, reduce the Pension Protection Fund levies, free cash for other uses within the Company and meet a key objective of the Pensions Regulator.

The agreement between the Trustees and the Company is reviewed by the Pensions Regulator who can ask the Trustees to justify the decisions they made. In extreme cases the Regulator can instruct the Trustees to re-consider their decisions.

FUNDING UPDATE

Each year the Trustees obtain a funding update from the actuary. The latest, as at 5 April 2010, showed that the actuarial deficit had reduced to £28.1 million, principally due to strong growth in the fund during the year. Remember, this is a "snapshot" and the funding position can change year on year as fund values and the value of liabilities fluctuate.

PPF LEVY

For the last three years the levy payable to the Pension Protection Fund (PPF) has been a significant expense for the Trustees and Company. In the year under review it exceeded £1.75 million. Whilst the Trustees support the PPF as a "lifeboat" the cost is excessive and diverts valuable funds away from other uses, either within the fund or the Company.

The levy is payable by all pension schemes (other than money purchase schemes) and supports the "compensation" payable by the PPF to members of insolvent schemes.

The size of the levy varies from scheme to scheme and depends upon its liabilities and deficit and the risk that the supporting employer will become insolvent.

The latter is based upon data provided by a credit rating company. Luxfer have improved the quality of the data in use and this is expected to lead to a reduction in the levy payable in future, unless the PPF change the formula on which the levy is based.

MEMBERSHIP

There are three main categories of members in the LGPP:

CHANGE IN MEMBERSHIP OVER THE PAST YEAR

Category	Change over the past year		5th April 2009	5th April 2010
	TOTAL MEMBERSHIP down 9		1,901	1,892
ACTIVE MEMBERS Employees of Luxfer Group or one of its subsidiaries who are currently building up benefits in the LGPP.	**ACTIVES DOWN**	11	235	224
	Retirements	(3)		
	Leavers	(8)		
DEFERRED MEMBERS Those who have left our employment and have not yet started to receive their pension from the LGPP.	**DEFERREDS DOWN**	28	919	891
	New deferreds	8		
	Retirements	(28)		
	Transfers	(6)		
	Deaths	(1)		
	Refunds	(1)		
PENSIONERS Those members who receive a pension from the LGPP, including dependents in receipt of a pension following the death of a member.	**PENSIONERS UP**	30	747	777
	New pensioners	29		
	Spouses pensions	10		
	Deaths	(9)		

During the year the number of members contributing to the Plan ("active members") fell by 11 to leave 224 active members at 5 April 2010. The number of members receiving pension increased by 30 to 777 and the number of members who had left service without immediately drawing a pension ("deferred members") fell to 891

For pensioners, the pension in payment increased at 6 April 2010 by 0.3%, a proportionate increase applied where the pension had been in payment for less than a year. For pensioners over State Pension Age no increase was paid on the Guaranteed Minimum Pension (the increase in the Retail Prices Index for the reference period to September 2009 being negative).

Fund Value at 5 April 2009	Outgoings	Contributions	Investment Gain	Fund Value at 5 April 2010
£116.9m	£(9.6)m	£4.4m	£42.7m	£154.4m

FOCUS ON FINANCIALS

INCOME AND EXPENDITURE

	£ thousands	£ thousands
Fund at 5 April		**116,926**
Expenditure		
Pensions & tax free sums	(6,982)	
Death & Leaver transfers	(496)	
PPF Levy	(1,750)	
Insurance premiums	(40)	
Administration expenses & other	(330)	
		(9,598)
Income		
Employer's contributions	710	
Employer's deficit funding	1,125	
Employer's PPF Levy contribution	1,750	
Member's contributions	617	
NI rebates	198	
Interest payments received	2	
		4,402
Investments		
Investment income	103	
Change in value of investments	42,698	
Investment management fees	(137)	
		42,664
Fund at 5 April 2010		**154,394**

INVESTMENTS AND OTHER ASSETS

	£ millions	£ millions
Equities (Managed by L&G)		
UK equities	54.6	
North American equities	15.1	
European (exc UK) equities	14.1	
Japanese equities	1.1	
Other Far Eastern equities	3.8	
Emerging Markets	10.0	
		98.7
Global Ascent Fund		
(Managed by Black Rock)	11.1	**11.1**
Bonds (Managed by L&G)		
Corporate Bonds	27.4	
Index-linked Gifts	7.6	
Bonds (Managed by Wellington)		
Corporate Bonds	6.2	
		41.2
AVCs	1.6	
Other net assets	1.8	
		3.4
Fund at 5 April 2010		**154.4**

The income and expenditure figures are taken from the audited accounts of the Plan, which are available for inspection on request from your Local Pensions Administrator.

The value of investments increased during the year by £42.7 million, and after allowing for encashments to pay benefits and investment management expenses, the fund grew by £37.5 million. The Trustees' main expenditure is the payment of pensions and cash sums to retiring members; in the year these amounted to almost £7.0 million.

In the year the employers contributed almost £3.6 million, of which over £1.75 million was paid to reimburse the trustees for the payment of the PPF levy.

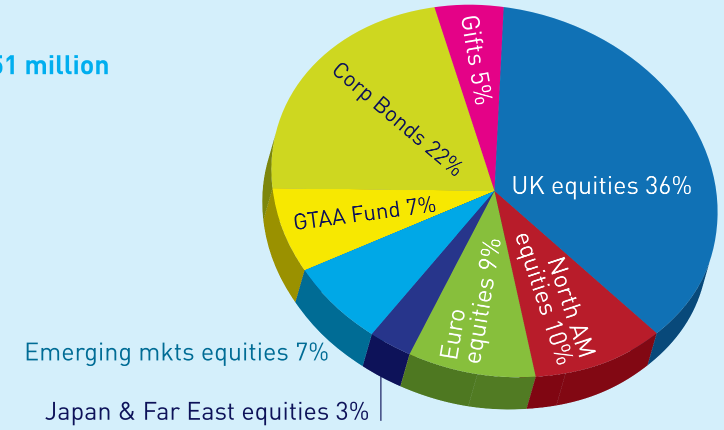
FOCUS ON INVESTMENTS

After beginning the year at a disappointingly low level, the fund standing at below £114 million at 5 April 2009, the fund grew strongly during the year, finishing just below £151 million (figures exclude AVCs).

WHERE THE MONEY IS INVESTED

Distribution of investments 5 April 2010 - £151 million

- £54.6m UK equities
- £15.1m North American equities
- £14.1m European (exc UK) equities
- £4.9m Japanese & Far East equities
- £10.0m Emerging markets equities
- £11.1m Global Assent Funds (GTAA)
- £33.6m Corporate Bonds
- £7.6m Index-linked Gifts



REVIEW OF YEAR

During the year the Bank of England reduced its base rate to 0.5% and injected an economic stimulus by increasing the money supply by £200 million through the purchase of government debt held by financial institutions (Quantitative Easing). The USA and other countries introduced similar stimulus packages.

The UK economy remained in recession until the final quarter of the 2009, while the USA, Germany and France emerged from recession earlier. China, India and other Asian economies continued to grow strongly.

From April 2009 equities recovered as the global outlook improved and company profitability recovered. Government bonds remained weak, investors having concerns about public sector debt, but non-government debt performed strongly.

Into 2010 government debt in Ireland, Greece and other southern European states has caused concern and affected the Euro and the confidence of European investors.

INVESTMENT STRATEGY CHANGES

In October 2009 the remaining fixed interest Gilts were sold and re-invested in a short term corporate bond fund operated by Wellington Management.

This reflected the view that Gilts were over-valued and that non-government debt would provide a higher return.

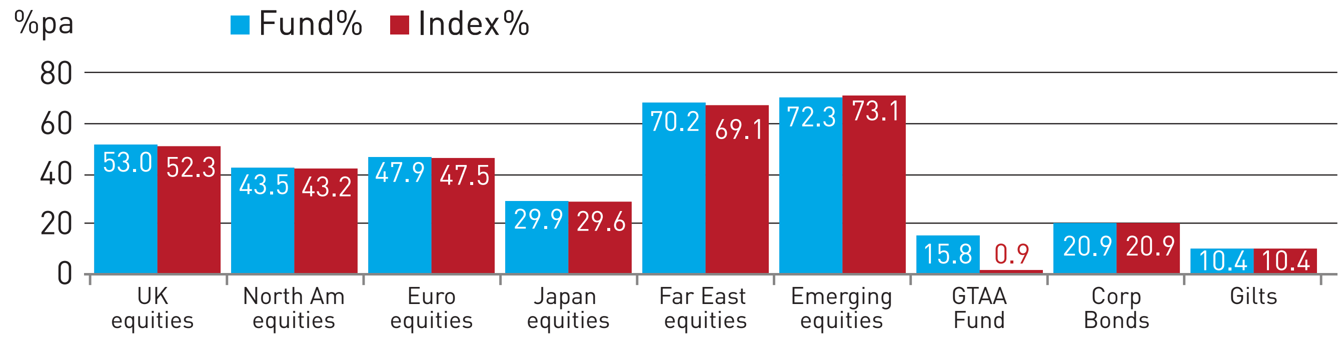
In December 2009 the Trustees increased their investment in emerging market equities by switching from Japanese equities, and after the end of the Plan year increased further their emerging market holdings by switching some UK equities. The Trustees' view is that the developed economies will perform only moderately over the next few years as governments deal with budget deficits and consumers reduce their expenditure to reduce their borrowings. The developing economies however, will grow at a faster rate. There are therefore good investment opportunities in these economies and switching into these areas is expected to contribute to the growth in the fund.

The Trustees, through the investment committee, continue to look at other ways of improving the return on assets together with a strategy of reducing investment risk as the Plan matures.

PERFORMANCE

The equity and bond Funds are designed to track their relevant index within agreed margins and the Global Ascent Fund has a target of 15% per annum above LIBOR (a cash return) over a three year period. These objectives were achieved in the year.

INVESTMENT PERFORMANCE - Year to 31 March 2010



LEGISLATIVE CHANGES

The Coalition Government has announced a series of policy changes which affect pensions.

INCREASES IN STATE PENSIONS

From April 2011 the Basic State Pension will become linked to whichever is the higher of the increase in average earnings, the increase in the consumer prices index (CPI) and 2.5%. Currently the pension is linked to the retail prices index (RPI). The link to average earnings is being restored after a period of almost 30 years, and given that earnings generally have increased at a faster rate than prices in the past should mean the State Pension will increase at a higher rate over the long term.

The change from RPI to CPI will also apply to public sector pensions and to some private sector pension schemes (see below). CPI is considered to give a better measure of the general level of price increases, although it is expected to show slightly lower increases than the RPI.

STATUTORY INCREASES IN COMPANY PENSIONS

Legislation prescribes the minimum rate of increase in preserved pensions for deferred members and some pensions in payment. The Government intend that the increase in future will be based on CPI in place of RPI, although details of how this policy will be implemented have not been clarified. The Trustees do not expect this change to have an immediate effect upon current pensions in payment, but the effect on other benefits remains to be assessed.

STATE PENSION AGE

The previous Government had already enacted that the State Pension Age would increase to age 66 from 2024, but the Coalition have announced the intention to bring this forward to 2020. More information about this change is awaited. This is the consequence of the increase in life expectancy and the additional pension costs that follow.

DEFAULT RETIREMENT AGE

It is a European Union (EU) requirement that employers cannot discriminate on grounds of age, although UK law currently permits employers to require employees to retire at age 65. To bring UK law into line with the EU, the Government have announced that this requirement will be removed during 2011, meaning that employees will be able to continue working after age 65. There are no plans to alter the normal retirement age under the Luxfer Group Pension Plan.

OTHER PROPOSALS

The Government are also reviewing the following:

- The way pension contribution tax relief applies to the higher paid;
- Pensions for employees in the public sector;
- The implementation of "auto-enrolment" into pension schemes from 2012;
- The requirement, under money purchase schemes, to purchase an annuity at age 75.

STATE BENEFITS AND OTHER INFORMATION

BASIC PENSION

From State Pension Age you will be entitled to claim your State pension benefits, although if you prefer you may delay receiving these. So if you continued to work you have the option of taking your State Pension as well, or of deferring it until you stopped work.

Currently the full Basic State Pension for a single person is £97.65 per week and for a married couple claiming on the man's pension it is £156.15 per week. The pension will be added to your other income for income tax purposes.

To claim the full pension you need to have paid, or be credited with, National Insurance Contributions for a minimum number of 30 years.

ADDITIONAL PENSION

You may also be entitled to an Additional State Pension (otherwise known as SERPS or the State Second Pension) but as you have been contracted out through your membership of the Plan this will be largely replaced by your Plan pension.

PENSION FORECAST

You can obtain a forecast of your State Pensions from **www.direct.gov.uk**

PENSION CREDIT

Pension Credit is a means tested benefit of up to £132.60 per week for a single person and £202.40 for a couple.

To calculate if you are entitled to Pension Credit the DWP will take into account your income from work or pensions, and the value of your savings.

INFLATION PROTECTION

In April 2010 State Pensions increased by 2.5%.

PENSION TRACING SERVICE

If you had an old company pension but have lost contact with the administrator the Pension Tracing Service may be able to help. They may be contacted on **0845 6002 537.**

For more information on any of these items visit:
www.direct.gov.uk

KEEPING IN TOUCH

If you have any queries about the Plan or about your benefits, or if you would like further information regarding any issue covered in this Newsletter, you should contact the Pensions Manager, David Mead (see 'Who runs the Plan") or go to the pensions scheme website.

If you are a pensioner or deferred member, remember to notify the Plan Administrator Mercer, of any change of address.

David Mead
Pensions Manager

YOUR TRUSTEE BOARD

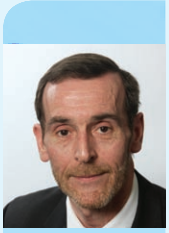
WHO RUNS THE PLAN?

Responsibility for the management of the Plan rests with the Trustees who are:

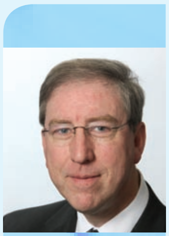
Dick Hirons
Chairman

Graham Bond
Magnesium Elektron

Peter Brock
Pensioner Elected



Andrew Considine
MEL Chemicals



Brian Purves
Luxfer CEO

Jim Simpson
Gas Cylinders Member-Nominated

Phil Wild
MEL Chemicals Member-Nominated

Stephen Williams
Luxfer CFO

WHAT THE TRUSTEES DO

The Trustees' principal responsibility is to ensure that the Plan is properly managed in accordance with the Trust Deed and in compliance with legislative requirements.

We monitor the funding of the Plan and review the arrangements in place to provide additional future funding so that sufficient assets are built up to pay members' benefits. At least once every three years we receive a full actuarial valuation, but the funding position is reviewed annually.

We ensure the correct contributions are paid by members and employers and have the plan accounts audited annually.

We keep in contact with the Company to satisfy ourselves that it is able to make the contributions it has agreed to pay.

We meet at least three times a year to discuss the business of the Plan and to ensure the Plan is properly managed.

We regularly review our investment strategy to ensure it remains appropriate. We have established an investment committee to meet quarterly to review investment opportunities.

We receive regular reports from our investment managers and Plan administrator to check that they perform in line with their service agreements. We also meet the investment managers and Plan Administrator to review performance.

THE GROUP PENSIONS COUNCIL

The Group Pensions Council is a forum for members of Local Pension Councils to meet to discuss matters relating to the Plan and pensions in general.

The members of the Group Pensions Council are:

DAVID MEAD	Chairman Secretary
GIL HAYCOCK	MEL Chemicals
JIM SIMPSON	Luxfer Gas Cylinders
PHIL WILD	MEL Chemicals
JOHN ORMES	Magnesium Elektron
JON FULCHER	Superform Aluminium

THE DAY-TO-DAY MANAGEMENT OF THE LGPP

The day to day running of the Plan is managed by the Pensions Manager David Mead.

He can be contacted at the following address:

Luxfer Group Limited, The Victoria, 150-182 Harbour City, Salford Quays, Salford M50 3SP

Tel: 0161 911 8811, david.mead@luxfer.com

If you have any questions about the Plan or pensions in general your first point of contact is your Local Pensions Administrator or your Local Pensions Council member. It is through your Local Pensions Council that matters of concern can be raised at the Group Pensions Council and so brought to the attention of the Trustees and the Company.

David Mead
Pensions Manager

PLAN ADVISORS

The Trustees retain a number of advisers to help run the Plan:

JON FERNS OF MERCER LIMITED

- provides actuarial advice to the Trustees in his capacity as scheme actuary. Other Mercer consultants provide investment and general advice about pensions matters.

MERCER LIMITED

- administer the Plan membership records and provide quotations for members at retirement, leaving etc.

They also manage the Trustees' bank account and pay pensions and other benefits.

The administrators may be contacted at:

Mercer Limited, Mercury Court, Tithebarn Street, Liverpool L2 2QH, **Tel: 0151 242 7094**

GRANT THORNTON

- audit the Plan accounts.

EVERSHEDS

- provide legal advice to the Trustees.

Comments and queries should be addressed to: David Mead at the address above.