2022

BRITISH AIRWAYS PENSIONS

The AVC Plan

The New Airways Pension Scheme (NAPS) 2022

Crystal Mark 23148 Clarity approved by Plain English Campaign

What are AVCs?

AVCs are additional voluntary contributions.

As a NAPS member, you can no longer save money into the AVC Plan but you can change the investment of your existing AVCs between any of the three AVC funds available.

- There are currently no transaction charges that have to be met by members.
- Each fund has a different type of return. You can choose from a lower-risk fund with a guaranteed return or a higher-risk fund in which any returns you get are linked to the value of your investment, which can rise or fall, or you can split your money across more than one fund.
- When you retire you can choose to take your AVC fund as part of your retirement lump sum, which is tax-free within HM Revenue & Customs (HMRC) limits, or use it to buy extra pension.
- Or, you can choose to transfer some or all of your AVCs to a different pension provider (independently of your NAPS Scheme benefits if you want) instead of drawing them from the Scheme.
- Our AVC funds are managed by the BA Pensions team and are only available to APS and NAPS members.

We offer three AVC investment funds:

Lower risk	Lower risk	Higher risk
The Short-Dated Gilts Fund (SGF)	The Equity Biased Fund (EBF)	The Mixed Portfolio Fund (MPF)

There is more information about the performance of the three AVC funds in the AVC Investment Commentary. We also publish rates of return each month on our website (click on **Latest AVC Fund Rates** and then choose from the AVC Funds in the left-hand menu).

Please remember that, in all three AVC funds, the returns vary from year to year and you should not rely on past performance as a guide to future performance. We give the current rates of return every month on the Latest AVC fund rates page on this website.

This leaflet is not a full description of the AVC plan. Details are shown in the trust deeds and rules of NAPS and announcements issued from time to time (all available on our website). You will automatically get a yearly statement to show the value of your AVC account.

June 2022

AVC Funds in more detail

Fund name	Type of funds	Returns	2019/20 returns
SGF	Earns interest. The value of your fund cannot go down	The SGF has an investment objective to produce returns related to government gilt-edged securities. Interest is added on 1 April each year and is calculated depending on how long a contribution has been held in the SGF (for example, July contributions will receive eight-twelfths of the current yearly interest rate). The rates of interest vary from year to year, but the value of your investment cannot go down. SGF investors are guaranteed the average rate from the three highest- yielding, gilt-edged securities, which have less than five years to maturity	The total return for money held in the SGF for the whole year 2021/2022 was 0.46%. The total return on money held in the SGF over the five years to 31 March 2022 was 2.27%.
EBF	Earns interest. The value of your fund cannot go down.	The EBF has an investment objective to produce a return, which has two parts – a 'guarantee component' and a 'bonus component'. Guarantee component – this rate is declared each calendar month and is currently based on the monthly return on the Sterling Overnight Index Average rate (SONIA). The Trustee can change the index from time to time, having taken suitable advice. The guarantee component cannot be less than zero. Bonus component – the bonus component rate is announced monthly in arrears (for the month that has just passed) as the rate for each month is worked out on the last day of that month. The calculation of the bonus component is based on the returns from a mixture of different assets, with the largest portion relating to various equity markets. The returns will tend to rise and fall in line with the performance of the stock market. The returns will continue to be smoothed over time so that some of the investment returns from years when the fund has performed well are kept in reserve to cover years when returns may not be so good. The return in the EBF can never be less than zero, but it is still possible for the bonus component to be zero. The bonus component contains an allowance for the cost of making sure that the overall EBF return is no lower than the return achieved by the guarantee component. As part of the review we looked again at the cost of providing this guarantee, and from April 2019 it is set at 2.3% a year (previously it was 4% a year), which is taken from the bonus component rate.	For the year 2021/2022, the interest rate for the guarantee component averaged 0.14% over the year. The interest rate for the bonus component averaged 7.94% over the year. The total return for money held in the EBF for the year to 31 March 2022 was 8.08%. Over the five years to 31 March 2022, the bonus component has varied between 7.94% (2021/2022) and 6.17% (2019/2020). The total return on money held in the EBF over the five years to 31 March 2022 was 42.91%.
MPF	Stock-market based. The value of your fund can go down as well as up.	The MPF is like a unit trust fund, which means your investment is used to buy units of (mainly UK and overseas) stocks and shares. This means that the value of your investment can go down as well as up depending on the performance of the stock market in future years. We review the investment objective for the MPF every three years. It sets the framework for the types of investments the MPF can hold, what percentage of the MPF should be invested in each type of investment and also sets a target for investment returns measured over a five-year period. Full details of the investment objective for the MPF are available in the 'MPF – Fund Investment Objectives'. MPF returns can be negative.	The unit price on 31 March 2022 was £257.99. The total return for money held in the MPF for the year to 31 March 2022 was 7.48%. Over the five years to 31 March 2022, the unit price has varied between £247.16 (April 2021) and £268.13 (December 2021). The total return on MPF money invested on 1 April 2017 up to 31 March 2022 was 45.57%.

The Mixed Portfolio Fund (MPF) in detail

The value of an SGF or EBF account cannot go down. However, an MPF account can fall in value and we explain this further below.

The MPF is similar to a unit trust. Members' AVCs are used to buy units within the MPF. The price of units changes each month and is calculated by dividing the value of the investments held within the MPF on the last day of the month by the number of units in issue on that day. This unit price will apply to any AVCs switched to or from the MPF on the first day of the following month. It is also used to value the MPF accounts of members drawing or transferring their AVCs in that month.

The type of investments held by the MPF are based on the stock market and are mainly UK and international shares. Details of the investments held each 31 March are available in the AVC investment commentary and we will provide you with a copy of this with your yearly AVC statement.

As the MPF is based on the stock market, the unit price can go up or down. This will directly affect the value of your MPF account when you draw or transfer it.

When you draw or transfer your AVCs, the value of your AVC account is calculated by multiplying the number of units in your account by the unit price that applies at that time. If the unit price is low due to falls in the stock market, the value of your MPF fund may also fall.

Are there any risks?

World stock markets sometimes fall sharply in value (as happened during the Covid-19 Coronavirus pandemic). Younger AVC holders may feel able to withstand the risk that their MPF investment could suddenly drop in value as, in theory, the stock markets should have plenty of time to recover before they retire. However, this risk could be critical for AVC holders who are closer to retirement as there may not be enough time for stock markets to recover from a sharp fall in value.

You might want to consider switching your fund into a lower-risk investment choice (such as the EBF or the SGF) to reduce uncertainty in the run-up to your retirement. You should get independent financial advice about your choice of investment fund and the timing of any switch.

Example

A member has 50 units in his MPF account at a current unit price of £250.

His AVC account is worth £12,500. The following month he is due to retire and the unit price has dropped to £200 per unit. His AVC account is now only worth £10,000 when he retires.

The AVC Plan

Fees and charges

Some charges may apply only to transactions involving the MPF. This is because dealing in the MPF investments means costs for the Schemes. However, since 1 November 1996, BA has paid the expense charges for MPF contributors.

There are currently no charges paid by members in the EBF or SGF. So, whichever fund you invest in, all of your AVC savings are invested on your behalf.

Are there any disadvantages?

You must decide whether to save AVCs depending on your personal preferences and circumstances. However, you should bear in mind that, unlike many other forms of saving, AVC money is locked in until you reach the minimum retirement age (set by the Government).

The AVC Plan explained in this guide includes the options and benefits available under the BA Schemes only. There are other types of pension arrangements available, which may provide different benefits and options.

We, the Scheme administrators and the Scheme's Trustee cannot give individual advice about such arrangements. If you are not sure about anything, you should get independent financial advice.

What happens to AVCs if NAPS ever closes or is wound up?

Under legislation introduced in July 2014, EBF and SGF accounts (but not MPF accounts) are classed as non-money-purchase or 'cash-balance' arrangements.

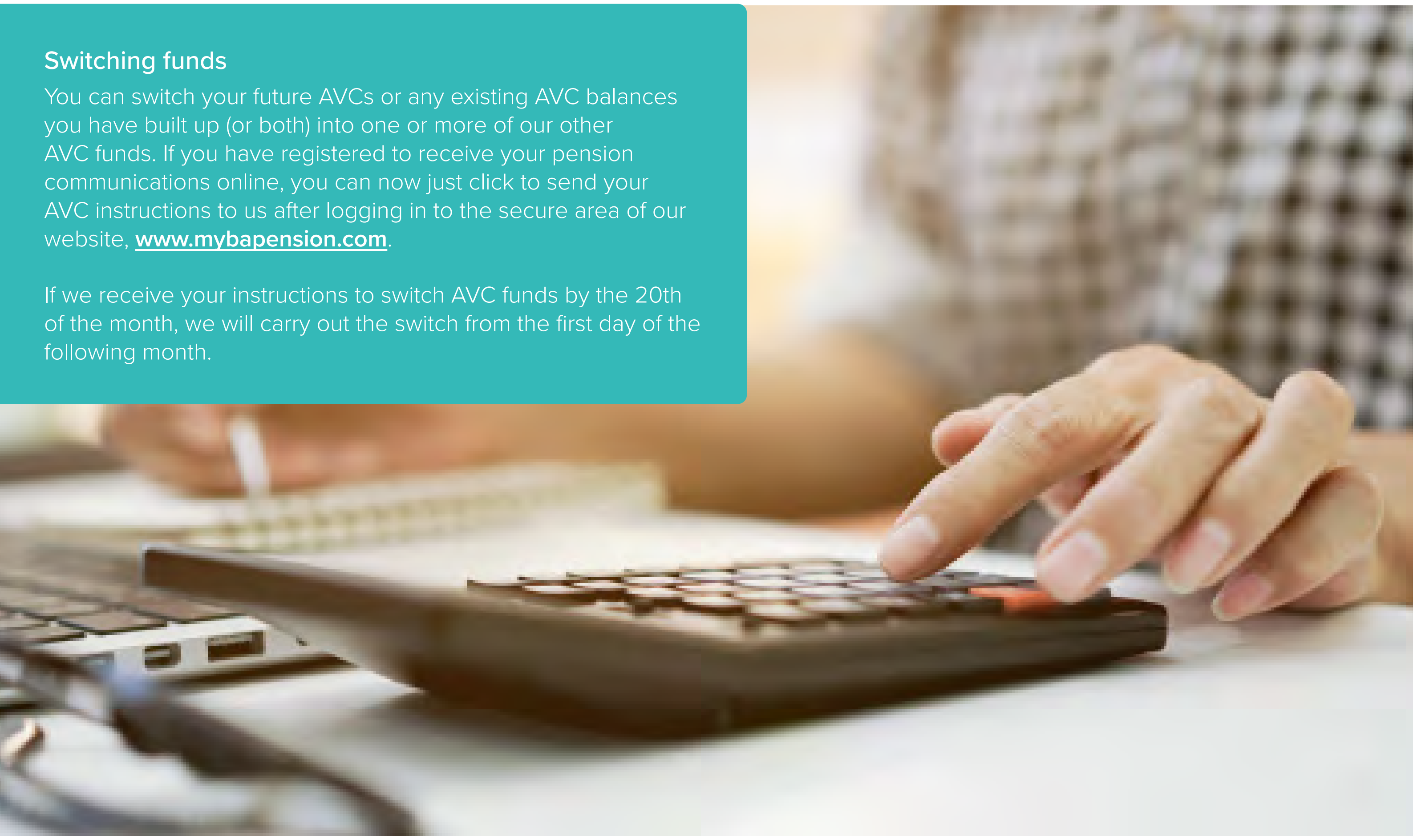
This is because both EBF and SGF have an element of investment return that is guaranteed. The MPF continues to be classed as a money-purchase arrangement.

If the Scheme is ever wound up, money-purchase benefits would be paid out as one of the first benefits and so would usually be fully protected. However, if the Scheme is ever wound up without enough funds to pay all of the promised benefits in full, the new rules which reclassify EBF and SGF accounts as non-money-purchase benefits could mean there is a risk that SGF and EBF accounts might be used, in full or in part, to pay other promised Scheme benefits. The exact effect would depend on the funding position in the Scheme at the time (see the latest 'In Focus' for the up-to-date funding position).

Switching funds

You can switch your future AVCs or any existing AVC balances you have built up (or both) into one or more of our other AVC funds. If you have registered to receive your pension communications online, you can now just click to send your AVC instructions to us after logging in to the secure area of our website, **www.mybapension.com**.

If we receive your instructions to switch AVC funds by the 20th of the month, we will carry out the switch from the first day of the following month.



What do I get?

What will I get from the BA Scheme when I retire?

You can take your AVC account as a cash lump sum or as extra pension, or a combination of the two, depending on HM Revenue & Customs (HMRC) limits. In most cases, you can take your whole AVC balance as cash, up to 25% of the value of your BA pension benefits (or 25% of your available, standard lifetime allowance (LTA), if this is lower).

Or, you can transfer some or all of your AVCs to a different pension arrangement to access them under the Government's flexible access rules.

If you have built up an AVC account which is worth more than the maximum tax-free lump sum you can take when you retire, you can use the extra AVCs to buy extra pension – either when you take your Scheme pension or later – or you can transfer them to a different pension provider.

Buying extra pension with your AVCs means buying an annuity from an insurance company of your choice. You can buy an AVC annuity when you take your Scheme pension or at any date after that.

How much will I get?

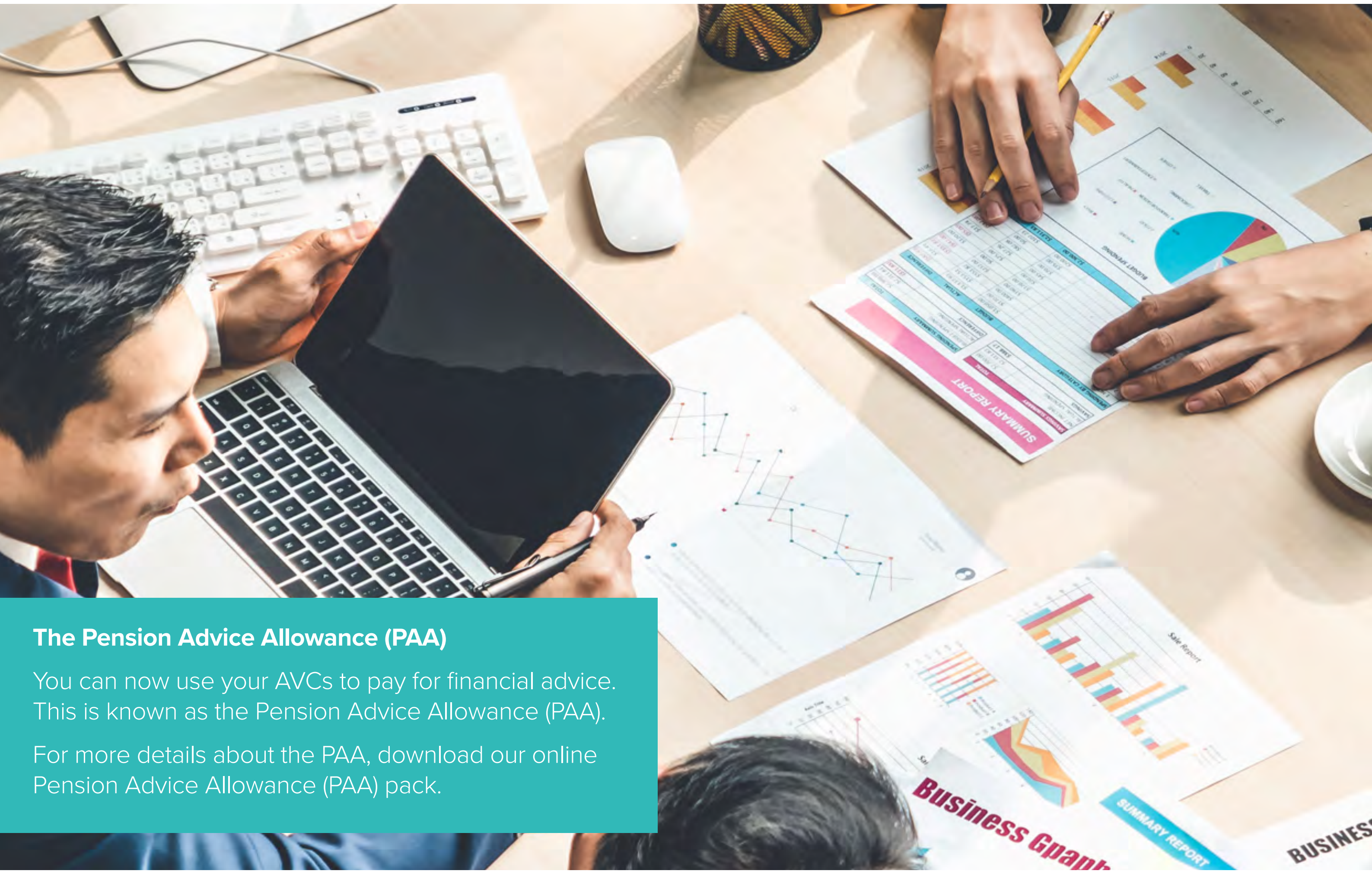
The amount of AVC lump sum or AVC pension that you get when you retire will depend on the amount of your AVC fund, your choice of AVC investment funds, the investment returns achieved by these funds until you draw your benefits and, if you choose to buy extra pension with your AVCs, the type of AVC pension you choose and the cost of these pensions when you retire.

What happens now that I have left the Scheme?

Your AVC account will continue to receive any investment returns until you draw it or transfer it to an arrangement with a different pension provider. You can still choose to switch your AVC account balance between funds.

What happens to my AVCs if I die?

If you die before you retire or before you have taken your AVC benefits, your AVC account will be paid as a lump-sum death benefit. The Trustee will decide who to pay this to after referring to any Notice of Wish form recorded on your pension records.



The Pension Advice Allowance (PAA)

You can now use your AVCs to pay for financial advice. This is known as the Pension Advice Allowance (PAA).

For more details about the PAA, download our online Pension Advice Allowance (PAA) pack.