New Airways Pension Scheme

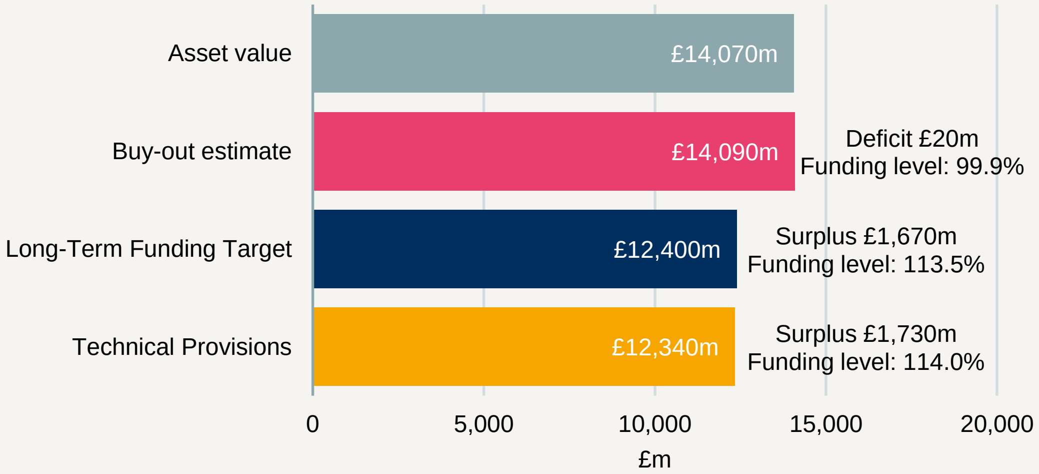
Report on the actuarial valuation as at 31 March 2024

Aaron Punwani FIA

26 June 2025

Actuarial valuation as at 31 March 2024

- As instructed, I have carried out an actuarial valuation of the New Airways Pension Scheme ("the Scheme") as at 31 March 2024. I now present my report which is addressed to New Airways Pension Scheme Trustee Limited ("the Trustee").
- The main purpose of the report, required by the Pensions Act 2004, is to set out the results of and outcomes from the valuation. Scheme members will receive a Summary Funding Statement relating to the valuation in due course.
- As required by legislation, the Trustee has reached a valuation agreement with the Principal Employer, British Airways Plc ("the Employer", for and on behalf of all the Participating Employers of the Scheme). This agreement covers the choice of assumptions for the valuation and the level of future contributions. The main results are summarised below, with further detail in the following sections, appendices and enclosed documents.



Figures above include the value of British Airways Money Purchase Section ("BAMPS") and Additional Voluntary Contribution ("AVC") funds

Contributions from the Employer in respect of:	
Funding	Given the Scheme's funding position, there are no deficit reduction contributions payable by the Employer.
Other	Levies payable to the Pension Protection Fund plus augmentation costs as recommended by the Actuary are met directly, or reimbursed to the Scheme, by the Employer.

Details of the above contributions are set out in the enclosed Schedule of Contributions.

- Under the Pensions Act 2004, I am required to certify that:
  - the Technical Provisions have been calculated in accordance with the legislation (for which my certificate is enclosed); and
  - the Schedule of Contributions is consistent with the Statement of Funding Principles and that payment of contributions at the agreed rates could be expected to lead to the Scheme continuing to have sufficient assets to cover its Technical Provisions. My certificate forms part of the Schedule of Contributions.

Aaron Punwani FIA
Partner and Appointed Scheme Actuary

26 June 2025
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Use of our work and professional requirements

The use of our work

This work has been produced by Lane Clark & Peacock LLP and Aaron Punwani as the Scheme's Actuary ("we" or "us"), under the terms of our written agreement with the Trustee of the New Airways Pension Scheme ("Our Client").

This work is only appropriate for the purposes described and should not be used for anything else. It is subject to any stated limitations (eg regarding accuracy or completeness). Unless otherwise stated, it is confidential and is for your sole use. You may not provide this work, in whole or in part, to anyone else without first obtaining our permission in writing although we acknowledge that you are required to pass it to the Employer sponsoring the Scheme and that you may make it available to Scheme members. We accept no liability to anyone, including but not limited to the Employer sponsoring the Scheme and Scheme members, who is not Our Client.

If the purpose of this work is to assist you in supplying information to someone else and you acknowledge our assistance in your communication to that person, please also make it clear that we accept no liability towards them.

Professional standards

This report is part of the work in connection with the valuation of the Scheme. The report has been produced for the information of interested readers and not with the intention that it should support any decision that they may make. Our work in preparing this document complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Standard 300: Pensions.

This report is from Aaron Punwani in his role as the Scheme's Actuary. Under the terms of our professional conduct code and guidance, it has been reviewed by Jon Forsyth, a qualified actuary and another LCP partner. We are satisfied that this complies with our professional requirements and that the degree of independence of the reviewing actuary is appropriate.

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Contents

Funding objective and actuarial assumptions

An overview

Funding objective

- The Scheme's Statutory Funding Objective is to hold sufficient and appropriate assets to cover its Technical Provisions.

Benefits valued

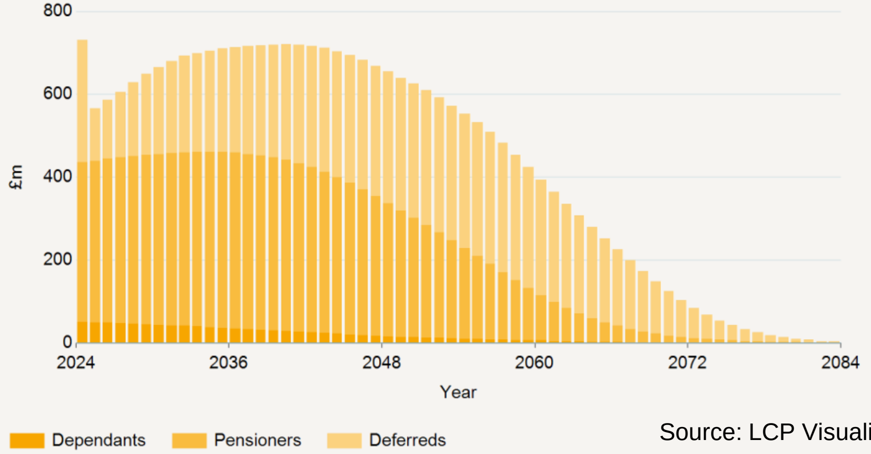
- The Scheme closed to future accrual of benefits from 31 March 2018, and members in active Pensionable Service at that date were provided with a number of benefit enhancements ("transitional options") which have been reflected in the benefits valued.
- Both the assets and liabilities in respect of pensions insured for some former members of the Dan-Air and Davies and Newman ("DADN") schemes, which are assumed to be equal, are excluded from all the figures quoted in this report (where relevant).

Sources of information

Item	Source	Summarised
Benefit and contribution structure	Consolidated Trust Deed and Rules dated 11 June 2019	Appendices (Benefit summaries)
Membership data	Scheme administrators, BA Pensions	Appendices (Membership data)
Audited accounts for 3 years to the valuation date	Trustee	Appendices (Asset summary and Consolidated revenue account)

Projected benefit payments from the valuation date

The benefit payments, which are primarily linked to price inflation, projected from the valuation date are shown below (excluding payments in respect of BAMPS and AVCs).



Source: LCP Visualise

Actuarial assumptions

- The Trustee took advice from me and has determined the method and assumptions to use for this valuation with the agreement of the Employer.
- The assumptions are set out in the Trustee's Statement of Funding Principles, a copy of which is enclosed.
- In determining the assumptions, the Trustee took account of its assessment of the strength of the Employer's covenant, and in particular, its likely ability to pay additional contributions in the future if future experience proves to be less favourable than projected under the assumptions.
- The Trustee and the Employer have agreed a package of protections, including property assets as security until September 2028 or earlier Cessation Event, which are documented in a separate legal agreement. The Trustee has taken this package into consideration in determining the assumptions.

Funding objective and actuarial assumptions
Continued

Actuarial assumptions (continued)

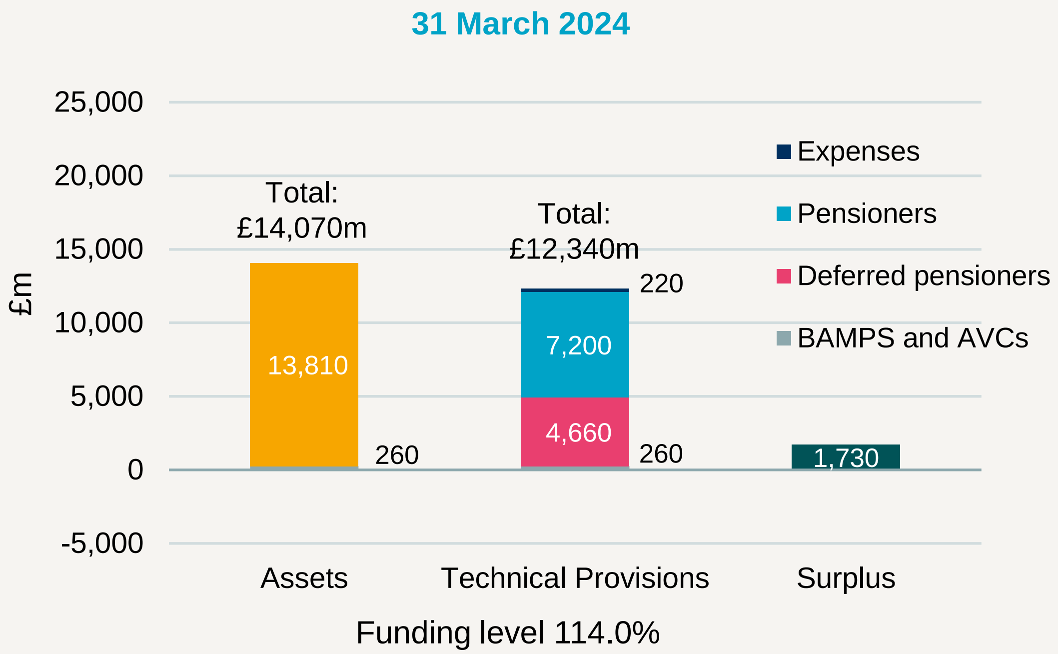
- The valuation includes an assumption about future investment strategy. The investment model remains unchanged since the last actuarial valuation. The current investment strategy is substantially de-risked since the March 2021 valuation date, with further de-risking planned over time via disposals or run-off of illiquid assets.
- The discount rate is 0.55% pa above gilt yields from 31 March 2024 to 31 March 2030, reducing to 0.45% pa above gilt yields from 31 March 2030. This equates to 0.49% pa above gilt yields on average.
- Although there has been an improvement in the strength of the Employer's covenant, investment returns relative to gilts have generally reduced since 2021. Retaining the current discount rate structure has therefore been agreed as a balanced and pragmatic approach.
- Further details are set out in the enclosed Statement of Funding Principles.
- The valuation adopts the "projected unit method", under which the Technical Provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit payments, based on benefits accrued to the valuation date and the various assumptions made.
- There is a risk that the assumptions are not borne out in practice and that the funding position deteriorates. Further details on the risks the Scheme faces are set out in the appendices.
- The Technical Provisions are not intended to be sufficient to enable the Scheme to be wound up and its benefits secured in full with an insurance company.

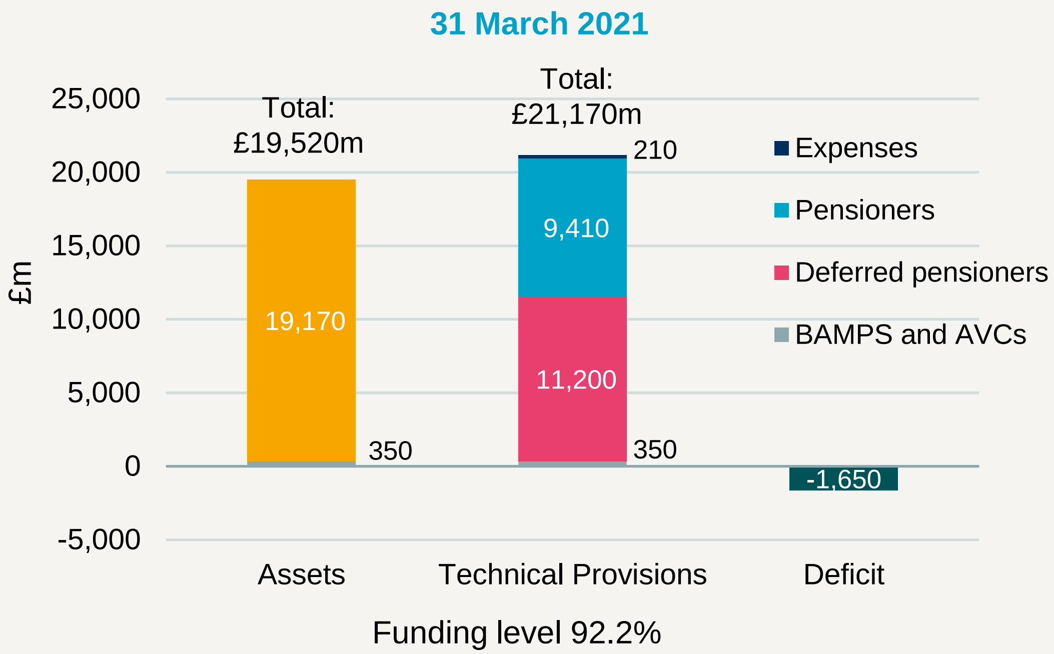
Changes to assumptions

- The Trustee has updated a number of other assumptions used to calculate the Technical Provisions, from those used at the previous valuation.
- The key updates are as follows:
  - **Mortality assumptions:** Updated base table and future improvement assumptions, as described in the Statement of Funding Principles, result in slightly shorter assumed life expectancy. The updates reflect more recent industry research and statistics on mortality, as well as detailed analysis of the Scheme's membership profile and mortality experience up to the valuation date.
  - **Commutation assumptions:** The assumptions reflect the commutation factors effective in force at 31 March 2024 for retirements up to 30 September 2024 and thereafter factors effective from 1 October 2024 are used.
- The financial impact of these changes is set out on page 8. The appendices also show the impact changing some of the key assumptions has on the valuation.

Technical Provisions and Long-Term Funding Target

Assets and Technical Provisions as at 31 March 2024 (and 31 March 2021 for comparison)



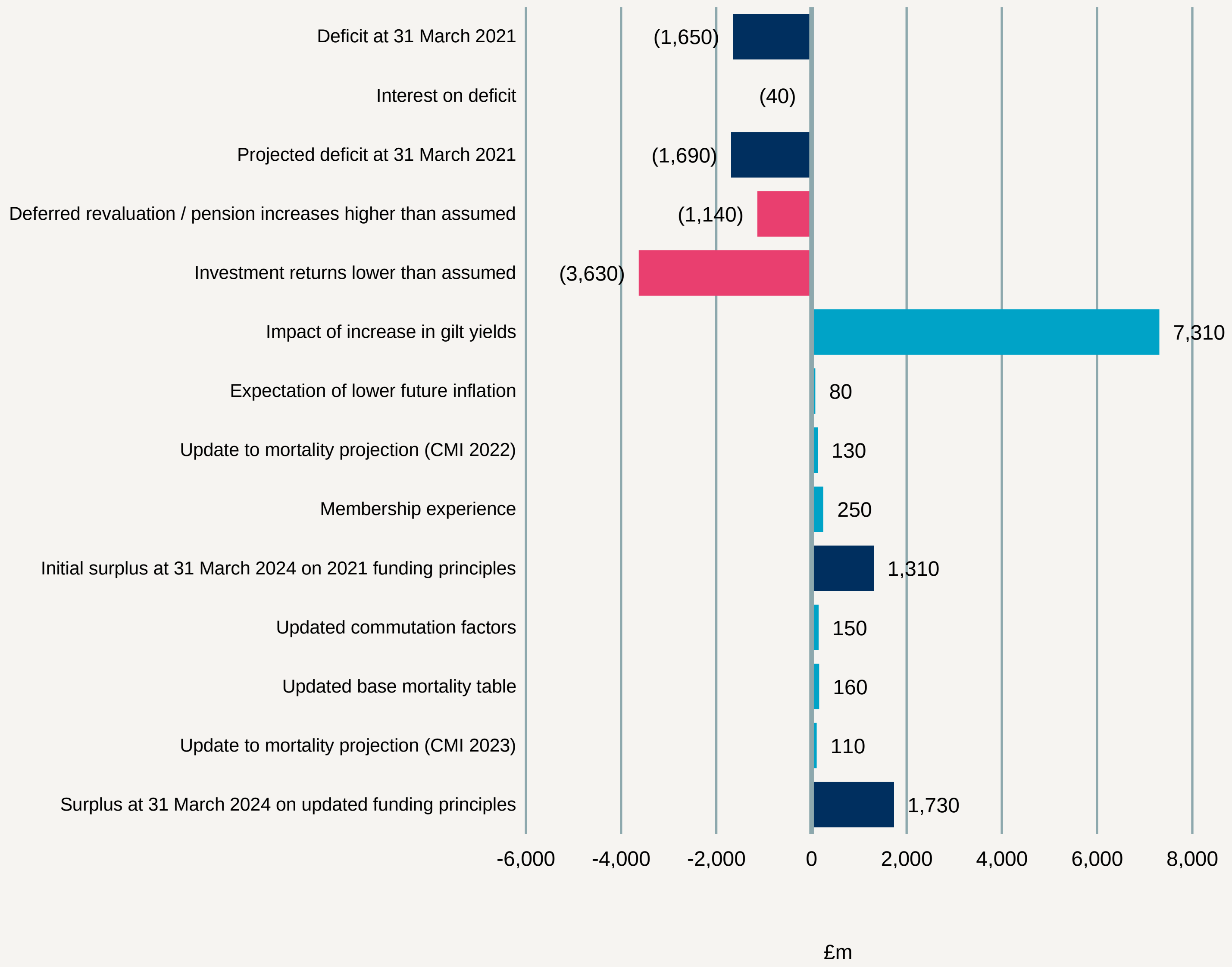


The Technical Provisions as at 31 March 2024 are calculated using LCP Visualise and are based on the membership data, benefits and assets as set out in the appendices. The Technical Provisions as at 31 March 2021 were calculated using PFaroe, the Trustee's third-party valuation tool at that time.

Long-Term Funding Target

- In addition to the Statutory Funding Objective, the Trustee continues to adopt an additional funding objective which is to provide benefits in accordance with the Scheme Rules with a higher level of security and less reliance on further support from the Employer in the future.
- As described in the Statement of Funding Principles, this Long-Term Funding Target is calculated in line with the Technical Provisions but allowing for investment returns of 0.45% pa above gilts, unchanged from the previous valuation.
- The surplus on the Long-Term Funding Target basis as at 31 March 2024 was £1,670m.

Reconciliation of experience to 31 March 2024



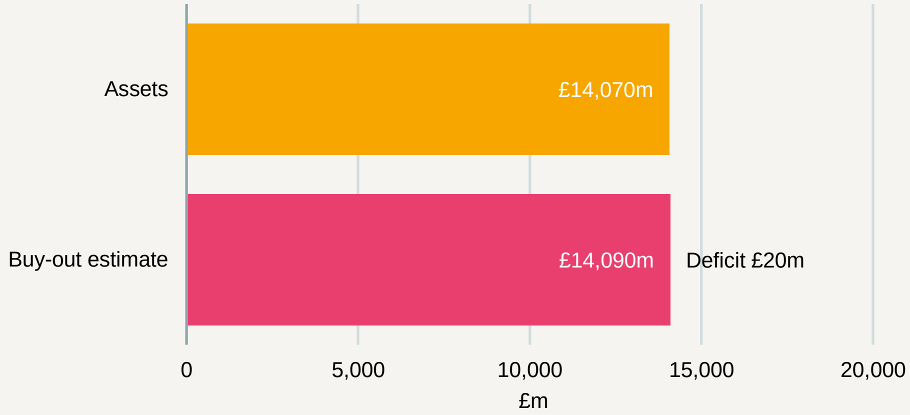
- As at the valuation date, the calculated Technical Provisions were £12,340m and the resulting surplus was £1,730m. Had experience since the previous valuation been in line with the assumptions adopted for that valuation, the Scheme would have shown a deficit of £1,690m. The actual position is therefore £3,420m better than expected; the reasons for this are illustrated in the chart opposite.
- The “Deferred revaluation / pension increases higher than assumed” item refers to higher than assumed increases to deferred pensions and pension in payment resulting from high levels of inflation since the last valuation.
- The “Impact of increase in gilt yields” and “Expectation of lower future inflation” items refer to the effect of rises in the yields on index-linked and fixed interest gilts between 31 March 2021 and 31 March 2024.
- The “Membership experience” item includes the impact of transfer values, commutation, mortality, and other miscellaneous items.

Discontinuance at the valuation date

The position were the Employer to have ceased sponsoring the Scheme

Derivation of the solvency position

- As required by legislation, I have considered the solvency position of the Scheme by estimating the cost of securing all benefits by the purchase of annuities with an insurance company. I have included an allowance for the expenses that would be incurred in winding up the Scheme. This measure of solvency is often referred to as the "buy-out cost".
- I have not obtained quotations, but have produced my estimate using the assumptions described in the appendices. In practice, the actual position can be determined only by completing a buy-out and wind-up.
- In our experience, actual insurer pricing can frequently vary by +/-5% compared to our solvency estimates for a given scheme due to variations in insurer appetite. The solvency estimate shown is intended to represent a central figure within this range. However, there are also cases where actual pricing is outside such a range, for example due to scheme characteristics, or general supply and demand mechanics in the market. The actual cost for the Scheme could therefore be very different from the estimate shown.
- This is particularly so in view of the size and characteristics of the Scheme; the assumptions are driven from pricing of transactions in the market which are generally much smaller than the Scheme's total liabilities, and some insurers may not be willing to insure pension increases using the Pension Increase Review Order ("PIRO") that applies to the majority of the Scheme's members.
- The substantial holdings in illiquid assets also mean that a full buy-out might not have been practicable at the valuation date, particularly at market-competitive pricing. As a way of addressing this, we have added a notional allowance of £500m to the estimated buy-out liabilities in respect of the haircuts that might be applied to the Scheme's illiquid assets if sold on the secondary market. The outcome could be very different in practice. We have made no allowance for any recovery from the Employer or from the security over the property assets.



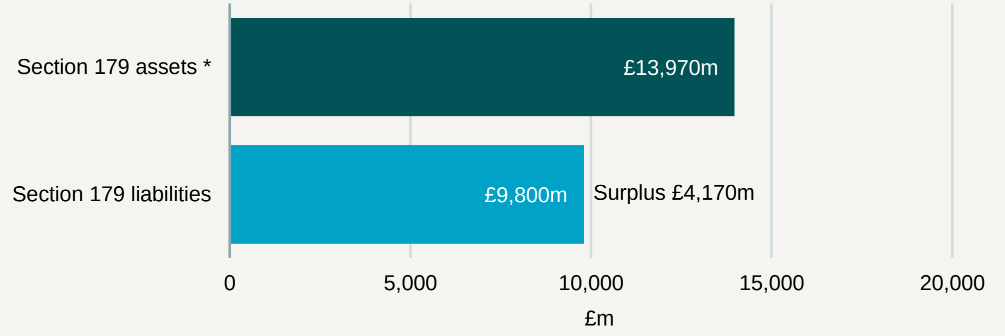
The buy-out estimate is taken from LCP Visualise and is based on the membership data, benefits and assets as set out in the appendices.

- The estimated deficit on this basis was £20m as at 31 March 2024. This corresponds to an estimated solvency level of 99.9%. It would be over 100% without the adjustment for illiquid asset haircuts. This compares with a deficit of £6,830m and solvency level of 74.1% as at the previous valuation. The reasons for this improvement are similar to those explaining the change in the Technical Provisions, together with changes in insurers' buy-out pricing.

Discontinuance at the valuation date
Continued

Interaction with the PPF

- Where a pension scheme is discontinued because of the insolvency of the employers, the Pension Protection Fund ("PPF") is required to assess whether a scheme is eligible to enter the PPF.
- In broad terms, if the PPF is satisfied that a scheme's assets are insufficient to buy-out benefits equal to PPF compensation with an insurance company, then the assets would be transferred to the PPF which would then pay members PPF compensation in place of scheme benefits.
- If the assets are sufficient, a scheme can be wound up outside the PPF with the assets first used to secure benefits equal in value to PPF compensation, with the balance being applied to secure benefits above that level in accordance with that scheme's rules.
- As a proxy for the financial assessment required by the PPF in these circumstances, we consider a statutory "Section 179" valuation. On this basis, there was a surplus in the Scheme of £4,170m as at 31 March 2024.
- This indicates that if the Employer were to become insolvent and the Scheme discontinued at the valuation date with no additional funds from the Employer, the Scheme would not have entered the PPF. Instead, the assets would have been sufficient to secure benefits with an insurance company at a higher level than PPF compensation.
- Further details relating to the Section 179 valuation, including the assumptions used, are set out in my formal report on the Section 179 valuation dated 25 March 2025 along with the full results set out in my formal Section 179 certificate enclosed with that report.



The Section 179 calculations are based on the membership data, benefits and assets as set out in my formal report on the Section 179 valuation dated 25 March 2025.

** The asset value used for Section 179 valuation purposes is different from the asset value used for funding and solvency purposes as it is required to include an estimate of the value of DADN insurance contracts using the PPF's prescribed assumptions (£20m) and exclude the value of AVCs held within the Mixed Portfolio Fund (£118m).*

Experience since the valuation date

Bringing you up-to-date

Development of position from 31 March 2024

- The valuation considers the financial position of the Scheme as at the valuation date. Since the valuation date there have been fluctuations in financial markets which have affected the value of the assets and the Technical Provisions.
- The chart above shows an illustration of the development of the Scheme's estimated funding position against the Technical Provisions since the valuation date.
- Our illustration of the development in the Technical Provisions allows for interest, anticipated benefit payments, the impact of actual inflation on members' benefits, and changes in market-implied gilt yields. All other experience is assumed to be broadly in line with the Statement of Funding Principles.
- Daily asset information has been taken from LCP Visualise, which is based on data provided by BlackRock.
- The funding position has remained broadly unchanged since the valuation date. This is as a result of changes in market conditions offset by changes in the returns on the Scheme's assets. The Scheme continues to be more than fully funded against its estimated Technical Provisions at the time of writing.

Projected funding levels at the next valuation

- The projected funding levels three years after the valuation date are shown below.
- These projections are made on the basis that:
  - future experience from the valuation date onwards is in line with the assumptions set out in the Statement of Funding Principles; and
  - there is no change in insurers' buy-out pricing.
- Experience from the valuation date is likely to be different from the assumptions made – in particular the best estimate investment return is higher than the assumption in the Statement of Funding Principles but there is significant volatility around this. Therefore, the position at the next valuation is likely to be different from that illustrated.

Approximate projected funding levels

Measure	31 March 2024	31 March 2027
Technical Provisions	114.0%	116.9%
Estimated buy-out basis	99.9%	Over 100%

Appendices

Key risks faced by the Scheme (1 of 2)

Risk	Comment	Risk mitigation measures taken by the Trustee
Employer covenant	The Employer is not able to support the Scheme, and in particular is not able to pay increased contributions if experience is unfavourable. If this happened, then there is a chance that the Scheme would not be able to pay full benefits.	Allowed for covenant in setting of assumptions and negotiation of valuation package. Package of protections agreed, including property assets as security until September 2028 or earlier Cessation Event. Ongoing monitoring of covenant.
Investment strategy	Changes in asset values are not matched by changes in the Technical Provisions. The Technical Provisions are linked to gilt yields, but the Scheme assets include a substantial holding in return-seeking assets, so the two may move out of line as investment conditions change. For example, if equity values fall with no changes in gilt yields, the funding position would deteriorate.	Investment strategy includes investing in assets which hedge key risks such as interest rates and inflation. Trustee has adopted a low-risk investment strategy.
Investment returns	Future investment returns are lower than anticipated. The greater the allowance made in the Technical Provisions for returns on assets other than gilts, the greater the risk that those returns are not achieved. Otherwise, no allowance is made for specific risks, such as cyber-attacks, drug resistance and/or future pandemics, which may have an effect on future investment returns.	Allowed for prudent returns in Technical Provisions and contribution setting.
Gilt yields	Asset values and the Technical Provisions do not move in line as a result of changes in the yields available on fixed interest and index-linked gilts. This may arise because of a mismatch between the Scheme's holding in gilts and its Technical Provisions in terms of their nature (ie fixed or inflation linked) and/or their duration.	Sought to hedge this risk, for example through investing in gilts directly or in Liability Driven Investments (LDI), considering also liquidity and collateral requirements.
Inflation	Actual inflation is higher, and so benefit payments are higher, than anticipated. In addition, there is a potential mismatching risk if inflation linked liabilities behave differently to the inflation linked assets held to protect against inflation changes – for example where RPI linked assets are used to match CPI linked liabilities.	Sought to hedge this risk, for example through investing in index-linked gilts directly or in Liability Driven Investments (LDI).
Mortality	Scheme members live longer, and so benefits are paid for longer, than anticipated. In particular, no allowance is made for some specific risks, such as antibiotic resistance, so members may live for a different length of time than assumed.	Allowed for prudence in setting of mortality assumptions in Technical Provisions.
Member options	The incidence of Scheme members exercising benefit options which are potentially not "neutral" to the Scheme's funding position (such as commutation) is different from that anticipated.	Option terms reviewed regularly to ensure they remain appropriate relative to the Technical Provisions cost.

Key risks faced by the Scheme (2 of 2)

Risk	Comment	Risk mitigation measures taken by the Trustee
Regulatory	In future, the Scheme may have backdated claims or liabilities arising from equalisation or discrimination issues or from future legislation or court judgments. In particular, the actual impact of any adjustment to benefits that may be required to remove any inequalities arising from Guaranteed Minimum Pensions may be different from any allowance made.	Sought to make prudent reserves where appropriate. Monitored regulatory developments and reacted accordingly.
Climate change	Climate-related risks are systemic and therefore could affect all pension schemes, and may be very financially significant, potentially affecting investment values, life expectancies and the employer covenant. Climate risks may become more significant in the coming years than they have been to date.	Took into account when considering investments. Considered potential impact on employer covenant, where relevant.
Interaction of risks	More than one of the risks described here may manifest at the same time, and there may be correlation between different risks, for example challenges to economic growth which result in lower investment returns may also have an adverse effect on the employer covenant.	Monitor key metrics relating to the funding position and the employer covenant.

Membership data

Summary as at 31 March 2024

Membership summary

- The following table shows the membership details as at 31 March 2024, as obtained from the Scheme's administrators.
- Figures as at 31 March 2021 are shown in brackets.

	Number		Average age		Total pension (£m pa)	
Deferred pensioners*	24,088	(30,093)	55.4	(52.9)	183	(266)
Pensioners	30,678	(27,454)	70.4	(69.2)	386	(317)
Dependants	4,927	(4,574)	76.4	(73.0)	52	(41)
Total	**59,693**	(62,121)				

* including crystallised pensioners

- The pension figures for deferred pensioners, current pensioners and dependants have been obtained by totalling members' pensions as at the valuation date but reflecting the April 2024 pension increase (where applicable).
- Average ages are weighted by the pension amount at the respective valuation date.
- Pensions in payment were increased over the inter-valuation period, as required under the Rules. There have been no discretionary pension increases granted since the previous valuation.

Further information on the data used and the benefits valued

- We have been provided with full updated membership data extracts by BA Pensions, the Scheme's administrators.
- We have conducted high level checks on the membership data received. We have also reviewed the detailed data validation checks carried out by BA Pensions. We have relied on this data and have no reason to doubt its overall accuracy for the purposes of the valuation.
- Some members of the former Dan-Air and Davies & Newman pension schemes have pension secured externally with insurance companies. Information regarding these policies was provided by BA Pensions, and the liabilities for these members has been adjusted accordingly to allow for the pensions secured externally.
- We have assumed that there are no changes to benefits or liabilities in the Scheme as a result of the 2023 Virgin Media judgment, which concluded that amendments to scheme rules affecting certain contracted-out rights were invalid if written actuarial confirmations were not obtained where required.

Benefit summary

Simplified benefit summary for the NAPS section

Benefit or defined term	Description
Normal Retirement Age (NRA)	For leavers from 1 April 2007 NRAs reflect the options elected by members, eg Plan 60: 60 / Plan 65: 65 / Option 55: 55 / Option 60: 60 / Option 65: 65. Benefits accrued prior to 1 April 2007 may be taken unreduced from an earlier retirement age, subject to employer's consent.
	For leavers prior to 1 April 2007, NRAs are as follows: **Pilots, Officers and Cabin Crew** - Pre-2007 leaver: 55 **Ground Staff** - Pre-1989 male leaver: 63 - Pre-1989 female leaver: 60 - Pre-2007 leaver: 60
Early retirement pension	Pension as for normal retirement, reduced for early payment.
Late retirement pension	Pension as for normal retirement, uplifted for late payment.
Incapacity retirement pension	Actives - immediate unreduced pension, subject to employer's consent. Deferreds – immediate reduced early retirement pension.
Benefits on death after retirement	
Spouse's pension	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's pension at death, ignoring any pension commuted for a lump sum at retirement and early retirement reduction.
Lump sum	If no spouse's pension is payable - return of contributions with interest, less pension payments and retirement lump sum.
Benefits on death in deferment	
Spouse's pensions	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's deferred pension at death.
Children's pensions	Children's pensions may be payable until age 23.
Lump sum	If no spouse's pension is payable - return of contributions with interest.
Pension increases	
In payment	Pension Increase Review Orders (PIRO) on excess pension (including notional GMP prior to GMP age). GMP receives statutory increases. Proportionate first increase for members retiring from crystalised status, otherwise a full increase applies.
In deferment	Pension Increase Review Orders (PIRO) on the whole deferred pension, subject to an underpin of: Excess pension - statutory revaluation GMP - in line with S148 orders Proportionate first revaluation.

Note: It is possible that the Technical Provisions may prove to be too low on account of any back dated claims which may arise from equalisation or discrimination issues or from future legislation or court judgments. In particular, the approximate allowance of £40m included in the Technical Provisions for removing GMP inequalities may prove to be insufficient.

Benefit summary

Simplified benefit summary for the British Caledonian section

Benefit or defined term	Description
Normal Retirement Age (NRA)	60 / 65 depending on category, service and sex.
Early retirement pension	Pension as for normal retirement, reduced for early payment.
Late retirement pension	Pension as for normal retirement, uplifted for late payment.
Incapacity retirement pension	Immediate reduced pension.
Benefits on death after retirement	
Spouse's pension	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's pension at death, ignoring any pension commuted for a lump sum at retirement.
Lump sum	On death within 5 years of retirement, balance of pension payments which would otherwise have been received had the member survived until the fifth anniversary of retirement, less the spouse's pension payable over the same period.
Benefits on death in deferment	
Spouse's pensions	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's deferred pension at death.
Children's pensions	None.
Lump sum	Return of contributions with interest.
Pension increases	
In payment	Excess pension at Date of Leaving and GMP receive 5% pa fixed; the revaluation element of excess pension does not increase in payment. Increases on anniversary of retirement.
In deferment	Excess pension: Statutory GMP receives fixed rate increases, based on each member's date of leaving.

Benefit summary

Simplified benefit summary for the Dan-Air and Davies & Newman (DADN) section

Benefit or defined term	Description
Normal Retirement Age (NRA)	55 / 60 / 62 / 65 depending on category and service.
Early retirement pension	Pension as for normal retirement, reduced for early payment.
Late retirement pension	Pension as for normal retirement, uplifted for late payment.
Incapacity retirement pension	Immediate reduced pension.
Benefits on death after retirement	
Spouse's pension	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's pension at death, ignoring any pension commuted for a lump sum at retirement. For Dan-Air – spouses pension commences 5 years on the fifth anniversary of the member's retirement.
Lump sum	On death within 5 years of retirement, balance of pension payments which would otherwise have been received had the member survived until the fifth anniversary of retirement. For Dan-Air – this amount is reduced by the cost of providing any spouses pension payable.
Benefits on death in deferment	
Spouse's pension	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's deferred pension at death.
Children's pensions	Children's pensions may be payable until age 23.
Lump sum	Return of contributions.
Pension increases	
In payment	Dan-Air: CPI subject to a maximum of 5% (some of which is also subject to a minimum of 3% pa) Davies & Newman: 5% pa fixed GMP receives statutory increases Full first increase.
In deferment	Dan-Air: CPI subject to a maximum of 5% Davies & Newman: CPI subject to a maximum of 5% GMP receives fixed rate increases Excess pension receives a proportionate first revaluation.
Historic annuities	Approximate approach on a member-by-member basis by reducing the pension in payment.

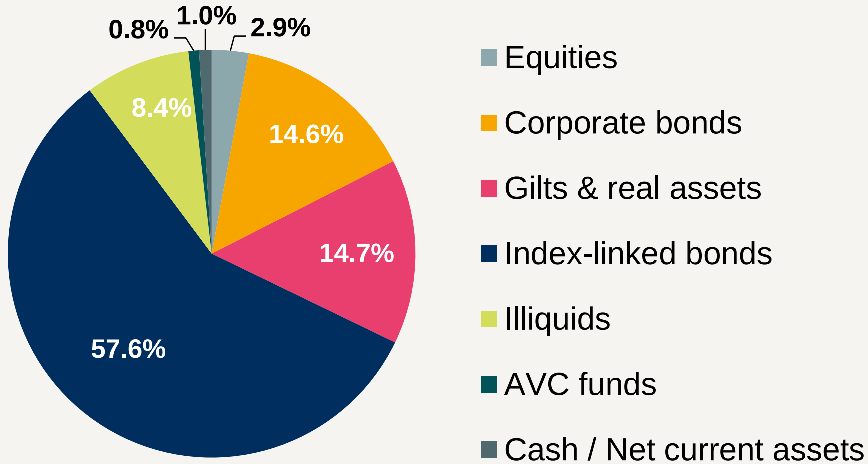
Investment strategy and composition of assets

Summary as at 31 March 2024

Asset type	Market value at 31 March 2024 (£m)	(%)
Equities	412	2.9%
Corporate bonds	2,051	14.6%
Gilts & real assets	2,064	14.7%
Index-linked bonds	8,105	57.6%
Illiquids	1,179	8.4%
AVC funds	118	0.8%
Cash and net current assets	139	1.0%
Total assets (including BAMPS and AVCs)	**14,068**	**100.0%**

- The summary of the assets as at 31 March 2024 shown in the table opposite is taken from the audited Trustee's Report and Financial Statements for the year ended 31 March 2024.
- In addition to the AVC funds of £118m, a further £137.6m of the main Scheme assets are in respect of the British Airways Money Purchase Section ("BAMPS") and other AVC funds which are not held separately.
- For funding purposes, we have excluded the assets and corresponding liabilities in respect of annuity contracts held to meet benefit payments to some former members of the DADN schemes. These are assumed to be equal and therefore do not affect the funding position.

Distribution of assets as at 31 March 2024



Appendix – assets

Consolidated revenue account

Summary over the three years to 31 March 2024

	£m	£m
Opening fund as at 31 March 2021		**19,517**
Income		
Transfers in	19	
Augmentation contributions	1	
Total income		***20***
Expenditure		
Pensions	(1,181)	
Death lump sums	(3)	
Commutation lump sums	(261)	
Transfer values paid	(738)	
Tax payments	(11)	
Administration expenses	(32)	
Investment management expenses	(27)	
Total expenditure		***(2,251)***
Change in value of investments		***(3,218)***
Closing fund as at 31 March 2024		**14,068**

Source: Copies of the audited Trustee's Annual Report and Financial Statements for the three years to 31 March 2024
Note that figures are before the deduction of AVCs and BAMPs. Figures may not sum due to rounding.

Appendix – assets

Sensitivity to assumptions

We have looked at the effect of varying assumptions

Commentary

- The valuation results are sensitive to the assumptions chosen and we illustrate here effects of changes to some of the key assumptions.
- The results are particularly sensitive to the advance credit for future investment returns within the discount rate. By way of illustration, the effect of changing the advance credit for the returns above gilt yields is shown in the tables opposite.
- The results are also sensitive to the mortality assumption in terms of both life expectancy at the valuation date and how life expectancy may change in the future.
- To the extent that the mortality assumption under-estimates life expectancies, the Technical Provisions will be too low, all other things being equal.
- As an illustration, if it were assumed that mortality rates were 5% lower than the mortality assumption adopted, the Technical Provisions would be around 1% higher.

Pre-2030 discount rate	Return over gilts (% pa)	Surplus (£bn)
Assumed rate	0.55%	1.73
Higher rate	0.80%	1.88
Lower rate	0.20%	1.53

Post-2030 discount rate	Return over gilts (% pa)	Surplus (£bn)
Assumed rate	0.45%	1.73
Higher rate	0.70%	1.98
No credit	0.20%	1.48

Discount rate - overall average	Return over gilts (% pa)	Surplus (£bn)
Assumed rate	0.49%	1.73
No credit (ie a gilts basis)	0.00%	0.92

Assumptions used for assessing solvency (1 of 2)

We have used the approach summarised below

- We have based our estimate of the solvency position on our understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for other schemes.
- We have not obtained an actual quotation for the Scheme, and there is considerable volatility in prices. The basis used has no relevance beyond this estimate of the buy-out cost and my statutory estimate of solvency.
- These assumptions differ from those set out in the Statement of Funding Principles and they result in an estimated buy-out cost that is higher than the Technical Provisions.
- All else being equal, non-pensioners are more expensive to insure than pensioners, due to the more limited appetite from the insurers and the additional uncertainty (for example, due to the longer duration of non-pensioners' benefit payments and uncertainty around the particular options that can be exercised by members before and at retirement).
- The demographic assumptions we have used are generally the same as those used for the Technical Provisions (where relevant) except as shown on the next page.
- We have calculated our estimate of the solvency position assuming that the insurer's terms for members' options are adopted.
- We have also made a notional addition to the liabilities in recognition of the Scheme's illiquid asset holdings.
- In practice, the actual buy-out cost can be determined only by running a selection process and completing a buy-out with an insurer. The ultimate deficit on buy-out could be very different from our estimate for various reasons, including:
    - additional funding may be available from the Employer;
    - market conditions will be different from those applying at the valuation date;
    - there may have been changes in the level of competition in the insurance market;
    - the actual value realised for the illiquid assets are likely to be different from the allowance made; and
    - the actual expenses of winding-up are likely to be different from the allowance made.

Assumptions used for assessing solvency (2 of 2)

We have used the assumptions summarised below as at 31 March 2024

Main financial assumptions

Assumption	% pa
Illustrative single equivalent assumptions	
Discount rate	4.30% pa
Rate of RPI inflation	3.40% pa
Rate of CPI inflation	0.8% pa below RPI before 2030 and 0.1% pa below thereafter
Pension increases in payment	Set consistent with market-based pricing for the relevant minimums and maximums

Main demographic assumptions

Commutation	No allowance
Proportion married	As for Technical Provisions
Spouse's age difference	As for Technical Provisions
Mortality assumption - Base table - Allowance for future improvements	 As for Technical Provisions Projection from 2013 in line with the CMI 2022 projections with a long-term annual rate of improvement of 1.5% with smoothing parameter ("S") of 7.0, an initial addition to mortality improvements parameter ("A") of 0.5% pa and w2020 = 0%, w2021 = 0%, w2022 = 40%.
Provision for removing GMP inequalities	Approximate provision of £40m
Insurer benefit installation expenses	Approximate provision of £50m
Expense reserve	Approximate provision of £100m for the costs that would be incurred by the Trustee in winding up. In practice, the actual winding-up expenses could be very different.
Adjustment for illiquid assets	Approximate allowance of £500m for the haircuts we expect would be applied to the Scheme's illiquid assets if sold on the secondary market. The outcome from a full insurance process could be very different.

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