

# NAPS Transitional Options Promotional/incremental pay link for Ground Staff and Cabin Crew



## Contents

1. How does my NAPS pension increase under the promotional/incremental pay link?.....	1
2. What is Retiring Pay? .....	1
3. How will my pension be affected? .....	2
4. Impact on Annual Allowance (AA).....	2
5. What happens next? .....	2
6. Scheme Pays agreement modeller and e-Form .....	2

## 1. How does my NAPS pension increase under the promotional/incremental pay link?

When NAPS closed on 1 April 2018, you became entitled to a deferred pension in NAPS. While you are under your NAPS normal retirement age (NRA) your NAPS deferred pension will receive Scheme increases in line with the Government's Pensions Increase (Review) Orders (PIRO), limited to 5% in any year. These orders are currently based on the Consumer Prices Index (CPI).

When NAPS closed, one of the options available was to link your NAPS deferred pension to future qualifying promotional or increment-based pay increases from 1 April 2018 up to the earlier of 31 March 2021, or the date you reach your NAPS NRA in respect of each element of your pre and post-2007 pension. Although you do not build up additional NAPS pension, we work out your NAPS 'Retiring Pay' at the end of each Scheme year and compare it to the Retiring Pay that applied at the start of the Scheme year to calculate the percentage change. We then apply this percentage to increase your NAPS deferred pension and add this on top of the Scheme increases mentioned above.

If the value of your NAPS deferred pension increases in any year by more than the increase in the CPI, you must include this in your Annual Allowance (AA) assessment each tax year. We explain this in more detail below.

## 2. What is Retiring Pay?

Retiring Pay is the average of the best two years of Pensionable Pay within the last five years. A 'year' for Retiring Pay purposes is any consecutive period of 365 days but one year does not need to be consecutive with another.

Pensionable Pay is defined by British Airways (BA) as the total of the elements of your pay (or notional elements of your pay) designated as pensionable. There are two Pensionable Pays in NAPS: NAPS1 and NAPS2.

### Cabin Crew – Why do I have two Retiring Pays?

For pensionable service up to 31 March 2007, Retiring Pay is calculated at the earlier of your old normal retirement age (55 for flying staff) or the date NAPS closed. For most NAPS flying staff, pensionable pay was increased by 18.75% for service after 1 April 2007 as part of the NAPS changes agreed in April 2007. This means that Flying Staff have different pensionable pays for pre-2007 service and post-2007 service. Retiring Pay is calculated separately in respect of NAPS pension built up pre-2007 and post-2007. The same rate of qualifying promotional or increment-based pay increase applies to all of your NAPS pension benefits - until the earlier of 31 March 2021 or the date you reach the NRA that applies to each element of your pension.

## Ground Staff

Ground Staff members have one Retiring Pay that applies to both pre-2007 service and post-2007 service.

### Part-time working

Remember! If you switch to part-time working at any time while participating in the promotional/incremental pay link, we will still be looking at the full-time equivalent of your Pensionable Pay so your Retiring Pay will not be affected at all.

### Understanding the two-year Retiring Pay average

It is important to understand how we work out your average Pensionable Pay to calculate your Retiring Pay. The illustration below shows an example of how post-2007 Retiring Pay is calculated. This may help your understanding. Please remember that this illustration is for general guidance only and is not intended to reflect real pay increments.



You can see, from this example, that the last 2 years' salaries have been the highest in the last 5. More specifically the Pensionable Pay between 1 October 2018 and 31 March 2019 was the highest (£40,000 a year), followed by the pensionable pay between 1 October 2017 and 30 September 2018, and then the Pensionable Pay between 1 April 2016 and 30 September 2017. The Retiring Pay calculation includes six months at £40,000, one year at £35,000 Pensionable Pay and finally six months at £33,000. Retiring Pay is therefore £35,750, worked out as follows:-

$$\frac{£33,000 \times (6/12) + £35,000 \times (12/12) + £40,000 \times (6/12)}{2} = \text{NAPS Retiring Pay at 31/03/2019: } \mathbf{£35,750}$$

Now that we understand how Retiring Pay is calculated, we can start to assess the potential impact of the promotional/incremental pay link on your overall NAPS deferred pension.

### 3. How will my pension be affected?

When NAPS closed on 1 April 2018, you became entitled to a deferred pension.

#### If you are currently under your pre-2007 NRA:

- your pre-2007 pension will increase in line with the qualifying promotional or incremental pay increases as well as standard yearly Scheme increases until the earlier of your pre-2007 NRA or 31 March 2021.
- your post-2007 pension will increase in line with the qualifying promotional or incremental pay increases as well as standard yearly Scheme increases until the earlier of the date or dates upon which you reach your applicable NRA, in respect of each tranche of benefits applicable to your post-2007 pension, or 31 March 2021.

#### If you reach your pre-2007 NRA before 31 March 2021:

- your pre-2007 pension will increase in line with the qualifying promotional or incremental pay increases until you reach your pre-2007 NRA. It will then receive Scheme late retirement increases instead of pay increases or the standard Scheme increases (set out in [1. above](#)) until you decide to draw or transfer your NAPS pension.
- your post-2007 pension will increase in line with the qualifying promotional or incremental pay increases until the earlier of the date or dates upon which you reach your applicable NRA, in respect of each element of benefits applicable to your post-2007 pension, or 31 March 2021.

## Option 55 pension

Your NRA for the promotional/incremental pay link purposes in respect of any pension built up within Plan 60 plus Option 55, will be age 55.

### I was promoted before 31 March 2018, will I still benefit?

If you received a promotion just before NAPS closed, you may have chosen this option to ensure that the full pay rise you received is included in your Retiring Pay calculation after 1 April 2018.

If you selected the promotional/incremental pay link NAPS transitional option but you do not receive any further promotional pay increase, the Pensionable Pay that was in force at 31 March 2018 will continue to be used in your Retiring Pay calculation from 1 April 2018 until the earlier of 31 March 2021 or your relevant NAPS NRA.

Now let us consider how your pension might grow under the promotional/incremental pay link. The table below provides a side-by-side comparison of a member's pension both with and without, the promotional/incremental pay link. The option will run until 31 March 2021 but this is a shortened example to show you, in principle, how the option might affect your pension on a year-by-year basis.

Deferred Member with no Salary Link		Deferred Member with Salary Link	
Pre-2007 NRA	55	Pre-2007 NRA	55
Post-2007 NRA	60	Post-2007 NRA	60
Based on member under NRA for all benefits		Based on member under NRA for all benefits	
Retiring Pay and Pension as at 31/03/2018		Retiring Pay and Pension as at 31/03/2018	
Pre-2007 Pension	£10,000.00	Pre-2007 Pension	£10,000.00
Post-2007 Pension	£10,000.00	Post-2007 Pension	£10,000.00
Retiring Pay Pre-2007	£25,000.00	Retiring Pay Pre-2007	£25,000.00
Retiring Pay Post-2007	£30,000.00	Retiring Pay Post-2007	£30,000.00
Retiring Pay and Pension as at 31/03/2019		Retiring Pay and Pension as at 31/03/2019	
Pre-2007 Pension	£10,000.00	Pre-2007 Pension	£11,016.00
Post-2007 Pension	£10,000.00	Post-2007 Pension	£11,016.00
Retiring Pay Pre-2007	£25,000.00	Retiring Pay Pre-2007	£27,540.00
Retiring Pay Post-2007	£30,000.00	Retiring Pay Post-2007	£33,048.00

**These examples are for illustrative purposes and provide general guidance only.**

We recalculate your Retiring Pay and deferred pension at the end of each Scheme year to take into account any promotional/incremental pay increases.

For the purposes of this illustration, let us assume that a promotion has occurred in the period 2018/19 and the pre-2007 Retiring Pay has increased from £25,000.00 to £27,540.00. Expressed as a percentage increase this is 10.16%. This same percentage increase has then been applied to the pre-2007 deferred pension, which results in the pension increasing from £10,000.00 a year to £11,016.00 a year at the end of the scheme year. The post-2007 pension has also been uplifted accordingly. We have assumed that this member will not reach either their pre or post-2007 NRA during this period.

As well as any increase applied to your pension from any change in your Retiring Pay, Scheme increases (PIRO) also apply to your deferred pension each year.

## 4. Impact on Annual Allowance (AA)

Deferred pensions that increase only by reference to the CPI do not need to be assessed for AA purposes. However, if the promotional/incremental pay link provides increases to your pension above CPI, these must be included in your yearly AA assessments.

In principle, although you are not building up future NAPS pension, your Retiring Pay is recalculated at the end of each Scheme year and compared to the previous year's Retiring Pay calculation. The percentage increase in Retiring Pay is added to your deferred pension on top of any standard Scheme pension increases that apply. If this results in an overall increase to your deferred pension above CPI, this must be counted for AA purposes.

### **Scheme Pays (for Annual Allowance tax charges) and Pension Sharing Orders**

For the assessment of AA, any pension debit should be added back into the pension in year one when the pension sharing or scheme pays took place and from year two onwards should be deducted from both the pension at the beginning and the end of the Pension Input Period.

## 5. What happens next?

BA will automatically notify us of any qualifying pay increases and we will apply those increases to your Retiring Pay and recalculate your NAPS pension accordingly.

We'll continue to issue AA statements each summer to all members who have chosen the promotional/incremental pay link. Our AA statements explain how to work out whether an AA tax charge applies. You can also refer to the [Annual Allowance \(AA\) page](#) of our website.

High earners!- If you have earnings over £100,000 a year you should check whether the lower, Tapered Annual Allowance applies to you. The [Tapered AA page](#) of our website includes detailed guidance on how to work out whether you are affected by the Tapered AA. BA Pensions cannot check this for you.

If your NAPS benefits exceed your AA due to electing the promotional/incremental pay link transitional option and you incur an AA tax charge, you will still be able to use the Scheme Pays facility to pay the part of the charge relating to your NAPS benefits – either directly from your AVC account if you have one, or by an immediate reduction in your NAPS deferred pension.

## 6. Scheme Pays agreement modeller and e-Form

You can use our Scheme Pays quotation and agreement e-Form to model the effect of using your NAPS pension or NAPS AVCs to pay any AA tax charge. Simply log into Mybapension online and select the Scheme Pays option under "Your e-Forms".

### **Important note:**

The information contained in this guidance note is subject to the provisions of the Operating Rules for the transitional options offered as part of the closure of the Scheme to future accrual. If any conflict arises between this guidance note and the Operating Rules, the Operating Rules will override.