

NAPS Transitional Options

Promotional/incremental pay link for Pilots



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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 2021¹, 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.

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

¹ Special terms apply for Senior First Officers (SFOs).

to all of your NAPS pension benefits - until the earlier of 31 March 2021¹ or the date you reach the NRA that applies to each element of your pension.

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 (£160,000 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 £150,000, one year at £155,000 Pensionable Pay and finally six months at £160,000. Retiring Pay is therefore £155,000, 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 plus standard yearly Scheme increases until the earlier of your pre-2007 NRA or 31 March 2021¹.
- your post-2007 pension will increase in line with the qualifying promotional or incremental pay increases plus 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 2021¹.

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 tranche of benefits applicable to your post-2007 pension, or 31 March 2021¹.

¹ [Special terms apply for Senior First Officers \(SFOs\).](#)

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 2021¹ 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 2021¹ 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	£20,000.00	Pre-2007 Pension	£20,000.00
Post-2007 Pension	£20,000.00	Post-2007 Pension	£20,000.00
Retiring Pay Pre-2007	£96,842.11	Retiring Pay Pre-2007	£96,842.11
Retiring Pay Post-2007	£115,000.00	Retiring Pay Post-2007	£115,000.00
Retiring Pay and Pension as at 31/03/2019		Retiring Pay and Pension as at 31/03/2019	
Pre-2007 Pension	£20,000.00	Pre-2007 Pension	£22,173.91
Post-2007 Pension	£20,000.00	Post-2007 Pension	£22,173.91
Retiring Pay Pre-2007	£96,842.11	Retiring Pay Pre-2007	£107,368.42
Retiring Pay Post-2007	£115,000.00	Retiring Pay Post-2007	£127,500.00

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 £96,842.11 to £107,368.42. Expressed as a percentage increase this is 10.8696%. This same percentage increase has then been applied to the pre-2007 deferred pension, which results in the pension increasing from £20,000.00 a year to £22,173.91 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.

¹ Special terms apply for Senior First Officers (SFOs).

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.

For most NAPS members who chose the promotional/incremental pay link (excluding the special terms for SFOs which are explained in more detail below), Pensionable Pay will increase immediately when they receive a promotion but Retiring Pay will rise gradually over the subsequent two years.

Training Pilots, Management Pilots and those who move posts from LGW to LHR

We understand that Pilots who move from LGW to LHR are also eligible for promotional increases, as are Training Pilots and Management Pilots. Any salary movement within the same pay point will not count towards the promotional/incremental pay link but moving from one pay point to the next will be classed as a promotional increase and qualify for the promotional/incremental pay link.

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. Special arrangements for Senior First Officers (SFOs)

For SFOs there will be a varying degree of impact on your pension and AA depending on when you achieve command. There is a wider window of 2 years and 9 months beyond 2021 whereby, if you achieve command during that extension period, you will still be able to benefit from the promotional/incremental pay link and your Retiring Pay will be recalculated as if you had achieved command in March 2019. The table below sets out how your Pensionable Pay and Retiring Pay may change depending on when you achieve command, as well as the potential corresponding impact on your AA.

Up to March 2019	Pensionable pay will increase immediately but Retiring Pay will gradually increase over a two year period to March 2021.	Least impact on AA
April 2019 to March 2021	Pensionable Pay will increase immediately but a higher Retiring Pay will be phased in over the remaining period to March 2021.	Medium impact on AA
April 2021 to December 2023	Both Pensionable Pay and Retiring Pay will increase immediately. There will be no phasing of Retiring Pay.	Highest impact on AA

Least - For those achieving command prior to March 2019, Pensionable Pay would immediately switch to the Captain scale and thereafter increase each year with increments. Retiring Pay will not change immediately but would increase gradually over the subsequent two years. At March 2021, a two year average of Pensionable Pay will be calculated so Retiring Pay will be based wholly on the Captain pay scale and will allow for some increments on that scale (but increments received shortly prior to March 2021 would not count materially). This approach means the jump in Pensionable Pay will gradually feed into Retiring Pay and hence will help manage the AA impact of attaining command.

Medium – For those attaining command between April 2019 and March 2021, Pensionable Pay will increase immediately. Retiring Pay will be calculated assuming command was attained in March 2019 but would still have a two year average applied. Retiring Pay would then continue to increase over the remaining period to March 2021. For example, if you were to attain command in March 2020, and if your Pensionable Pay rises by 30% immediately then your Retiring Pay would rise by 15% immediately (reflecting one years’ worth of a Captain’s pay over the two year averaging period) and Retiring Pay would then continue to rise so that by March 2021, it reflected a full two years’ worth of the Captain pay scale. The Annual Allowance impact is lesser than if no phasing were applied. The Retiring Pay ‘best two in five years of pensionable pay’ calculation will not prevent members in receipt of a promotion less than two years prior to 31 March 2021 from realising the full value of increases to their pension benefits, as Pensionable Pay will be backdated to 1 April 2019. This will, in turn, reduce the potential AA liability too though.

Highest – For those attaining command after March 2021 and before December 2023, both Pensionable Pay and Retiring Pay will immediately increase and be backdated to March 2019. This is because the increase will be based on an assumption of attaining command at March 2019 plus increments received thereafter up to March 2021 and with a two year average calculation performed as at March 2021. You would, therefore, receive the full benefit of the Captain pay scale but only a partial benefit of subsequent increments due to the two year averaging. As the increase in Retiring Pay occurs immediately, the potential AA charge will be higher than if the increase in pay had been phased in over two years.

6. 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.

7. 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.