

In Focus

For pensioner members of the New Airways Pension Scheme (NAPS) ("the Scheme")
March 2018

Inside this issue:

- | | |
|----------------------------|--------------------------------|
| 2 Welcome | 11 Scheme updates |
| 3 Scheme funding valuation | 14 Need to know
and more... |
| 9 Who manages NAPS? | |



Welcome

Welcome to the In Focus newsletter for 2018. In this edition, we look at the Scheme's latest funding position, British Airways' (BA) decision to close NAPS to future pension build-up, new data protection laws and lots more.

As always, we hope you find the information useful for keeping you up to date with the Scheme and encourage you to let us know if there's anything you'd like us to include in future editions.

How we use your data to manage NAPS

You may be aware that new data protection laws will come into effect in May 2018. The regulations encourage greater transparency as to how your data is held and used. Your Trustee has always been committed to the protection of members' data. We only use your data to run NAPS properly and to ensure we can pay your pension. We are currently assessing our practices against the new requirements to update them by the effective date.

What action do I need to take?

We've enclosed our updated data privacy statement, which explains how we manage the personal information we hold about you. Please take time to read this so that you understand the types of personal information we hold about you, how we receive it, what we use it for and who we share it with.



Data privacy statement enclosed

Closing the Scheme

In December 2017, BA announced its intention to close NAPS to future pension build-up on 31 March 2018. The announcement followed a period of consultation between BA and its employees.

Even though NAPS is closing, BA must continue to pay contributions to NAPS to clear the funding deficit and make sure all benefits built up can continue to be paid to members when they are due. You can read more about this on page 5.

As a NAPS pensioner, the Scheme's closure will not affect your pension in payment in any way.

Scheme funding valuation

A detailed financial health check of the Scheme, known as a valuation, is carried out every three years by the Scheme's Actuary. As we reported in the last edition of In Focus, the most recent full valuation was carried out as at 31 March 2015, at which time the funding level was 82.7% and the funding shortfall was £2.8 billion. In the years between formal valuations, the Scheme Actuary provides an update which shows how the funding position has changed since the last valuation date.

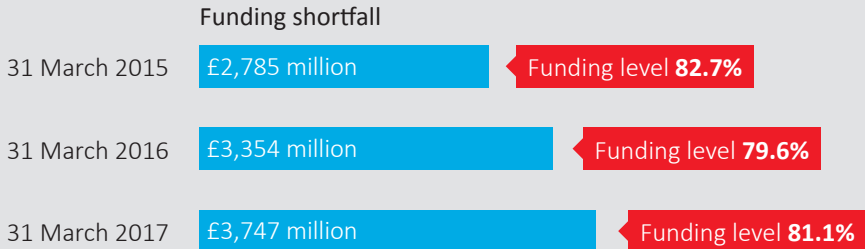
After each formal valuation, we work with the Scheme's Actuary to review all the factors we use to calculate members' retirement options. We completed the 2015 valuation in December 2016 and introduced new factors on 1 July 2017.

In the last edition of In Focus, we reported that, at 31 March 2016, the funding level was 79.6% and the funding shortfall had increased to £3.4 billion.

The Scheme Actuary's latest update, as at 31 March 2017, shows that the funding level has improved slightly, to 81.1%, but that the funding shortfall has increased from £3.4 billion to £3.7 billion.

Although BA paid £720.6 million (including employee salary sacrifice contributions) into NAPS over the year, and strong investment returns have been achieved, a significant fall in gilt yields resulted in the estimated value of the pension benefits increasing by more than expected, which increased the funding shortfall.

How has the funding position evolved since 31 March 2015?



More on the Scheme's funding

During the year to 31 March 2017, NAPS benefited from strong investment returns – particularly from equities (shares) and index-linked Government bonds. This helped the Scheme's assets to grow from £13.1 billion to £16.1 billion.

The NAPS liabilities also grew over the same period, from £16.4 billion to £19.8 billion. This was due to further reductions in the rate used to discount the Scheme's liabilities (pension benefits due to be paid now and in the future) back to a present-day value. The rate that is used for discounting the value of the liabilities, which reflects views on future investment returns, has reduced in line with the significant fall in gilt yields over the year to March 2017.

Reducing risk

Although the Scheme's deficit increased, the slight improvement in the overall funding level allowed the Trustee to reduce exposure to investment risk.

This de-risking reflects the terms of the NAPS Journey Plan, which makes sure the Trustee manages risk by keeping a close eye on the funding level and market conditions. You can read more on this in our December 2017 quarterly newsletter, which is available on the 'News' page of our website at www.mybapension.com/naps/news/trustee-quarterly-newsletters



Jargon Buster

Funding level

This shows what percentage of liabilities (pensions to be paid now and in the future) are expected to be covered by NAPS' assets. The higher the percentage, the more secure the pensions that members have already built up are.

How is the deficit being addressed?

The Scheme has a Recovery Plan in place which aims to remove the deficit by 30 September 2027. It includes measures such as BA paying additional contributions to the Scheme on top of its normal contributions and a 'cash sweep' arrangement which would bring a further payment to the Scheme of up to £150 million a year if BA's cash balance at 31 March each year exceeds a certain level. From 1 January 2017, BA has paid deficit contributions of £25 million per month, as well as 32.7% of members' pay to meet the cost of future pension build-up.

Other measures

As part of every formal valuation, the Actuary must provide an estimate of whether there is enough money within the Scheme to buy out benefits built up to date with an insurance company. This is known as the solvency level.

This doesn't mean that there are plans to wind up the Scheme. It's simply a piece of financial information that helps with

understanding the Scheme's financial position. The NAPS solvency level was 50.2% as at 31 March 2015, 49.9% as at 31 March 2016 and 52.1% as at 31 March 2017.

How are my benefits protected?

The Pensions Regulator acts as a watchdog, working with pension scheme trustees, scheme managers and employers to help protect your pension. The Pensions Regulator has powers to intervene in the running of schemes if necessary and can issue directions to trustees and companies which require the employer (or a person associated with the employer, such as a holding company) to pay money to the scheme or put another form of financial support in place. We're required to let you know that The Pensions Regulator has not issued any such directions to the NAPS Trustee and that the Scheme has not made any payments to the employer in the year to 31 March 2017.



Money going in and out of the Scheme

The Scheme's annual report and financial statements for the financial year to 31 March 2017 were finalised in October 2017 and showed that at 31 March 2017, the assets of NAPS were just over £16 billion.

The annual report and financial statements show the financial position of the Scheme on a particular day and are different to a valuation, which looks at whether the Scheme is likely to be able to pay the benefits that are due in the longer term.

	Million
Value as at 31 March 2016	£13,095
+ Income (member and employer contributions, and investment income)	£1,062
- Outgoings (such as payment of pensioner and dependant benefits)	(£583)
+ Change in market value of investments	£2,488
Value as at 31 March 2017	£16,062

The Scheme's Auditors, KPMG LLP, gave their opinion that the Scheme's report and financial statements provide a true view of the financial transactions of NAPS and the investments it holds.

Membership numbers

On 31 March 2017, the total membership of NAPS was 65,992 (2016: 66,561), made up of:

	2017	Change from 2016
Active members - making contributions	17,670	▼ 1,720
Active members - with crystallised pensions	200	▼ 14
Deferred members	22,006	▼ 40
Pensioners	22,088	▲ 1,053
Dependant pensioners	4,028	▲ 152

The Scheme's investments

British Airways Pension Investment Management Limited (BAPIML) manages the day-to-day investment decisions for NAPS on behalf of the Trustee.

Investment update

Over the year to 31 March 2017, returns on the NAPS investments that are measured against the benchmark were positive. These investments include stocks, equities (shares) and bonds (gilts).

The Scheme's investment returns are measured against a strategic benchmark. The Trustee has set a target for the Scheme's investment managers to beat the investment returns of the benchmark by 0.5% over a five-year rolling period.

The actual investment return over the year to 31 March 2017 exceeded this target benchmark, but returns over three, five and ten years to 31 March 2017 were below the target benchmark.

You can read more about the Scheme's investment performance on page 13 of the annual report and financial statements, available on the 'Scheme documents' page of our website at www.mybapension.com/naps

How NAPS investments performed

Financial years to 31 March 2017		NAPS returns (a year)	Benchmark returns (a year)
2017	1 year	19.58%	19.33%
2015/2017	3 years	11.37%	11.72%
2013/2017	5 years	10.58%	10.72%
2008/2017	10 years	7.19%	7.28%

Investment strategy

The Trustee aims to choose investments that meet the cash flow needs of the current membership by providing an appropriate mix of growth and security. This is done by investing in a mixture of assets. The Scheme's Statement of Investment Principles is available on the 'Scheme documents' page of our website at www.mybapension.com/naps

NAPS investments as at 31 March 2017

Return seeking investments	UK equities	14.3%
	Overseas equities	36.9%
	Private equity	4.0%
	Alternative investments	4.2%
	Property	8.3%
Liability matching investments	Real assets (infrastructure)	1.9%
	Bonds fixed	15.9%
	Bonds indexed	13.2%
	Cash	1.3%
Total		100%

Want to know more?

The full annual report and financial statements for the year ending 31 March 2017 are available on the 'Scheme documents' page of our website at www.mybapension.com/naps and show a further breakdown of the Scheme's investments, including a detailed Investment Report on how they performed over the year to 31 March 2017.



Jargon Buster

Benchmark

The performance of each of the main asset classes is measured against a market index. For example, the performance of UK equities is measured against the FTSE All Share Index. The indices are selected to ensure that the investment performance objectives are linked to the NAPS pension benefits due to be paid now and in the future. The aim is to exceed this level of return and investment performance is judged against this target.



Good to know

Pension giving – the easy way to give from your pension



The British Airways Pension Giving programme allows you to give to your chosen charities directly from your NAPS pension in a tax-efficient way. You can start, stop or change pension giving at any time by visiting our microsite at <http://bapensions.givingonline.org.uk> and completing the online donor form.

BA Pensions sends your monthly donation to BA's payroll giving partner, Charitable Giving, who distribute the money to the charities on your behalf. BA pays the handling and administration fee.

Who manages NAPS?

NAPS is managed by a Corporate Trustee, New Airways Pension Scheme Trustee Limited. The individual Trustees are Trustee Directors of the Corporate Trustee.

Changes to the Trustee Board

This year we welcomed Jude Winstanley, Rebecca Napier and Sian Davies (replacing Charlie Maunder, Ian Howick and Philip Osmond).

Ian Rycraft reached the end of his term as a Member Nominated Director (MND) on 31 March 2017. As Ian had changed jobs and no longer worked in the Engineering, TMGs and Ground Services constituency, he could not stand for re-election. One valid nomination was received for the vacant position and Chris Daw was therefore appointed as an MND from the Engineering, TMGs and Ground Services constituency from 1 April 2017.

Meet your Trustee Directors

There are twelve NAPS Trustee Directors. Six Trustee Directors are elected by the active and pensioner members of NAPS (as Member Nominated Directors) and six are appointed by BA (as Employer Nominated Directors). The Company roles for Employer Nominated Directors and constituencies from which Member Nominated Directors have been elected are shown below.

The current Trustee Directors are:

Employer Nominated Directors



Virginia Holmes
Chair – Independent
Trustee



Sian Davies
Financial Controller,
Engineering (BA)



Andrew Fleming
Head of Legal and BA
Company Secretary (BA)



Bill Francis
Head of Group
IT (IAG)



Rebecca Napier
Head of Finance
Transformation (BA)
& Acting IAG GBS CFO



Jude Winstanley
Head of Brand and
Customer Experience
Effectiveness (BA)

Member Nominated Directors



Neil Blackburn
Cabin Crew



Ian Bretherton
Pilots



Chris Daw
Engineering, TMGs,
Ground Services



Graham Fowler
Pensioners



Dave Southcott
Administration and the
rest of Management



Jack Wheale
Pensioners

Scheme updates

Our service to you over the past year

Over the year to 31 March 2017, BA Pensions dealt with 48,661 pieces of work. This included enquiries from members, their representatives and advisers, as well as sending members details of their options under the Scheme. The BA Pensions' hotline team has also handled 48,335 telephone calls.

Much of the teams' work is delivered within the framework of a service level agreement (SLA), with the aim that 95% of enquiries are answered within 10 working days. In the six months to 31 March 2017, we're pleased to say that the team beat this SLA, replying to more than 97% of enquiries within 10 working days.

Industry award winners

We're proud to have won two pensions industry awards in the last year – the Professional Pensions Pension Scheme of the Year Awards for 'Best Administration' and 'Best Trustee Development'. During the year ahead we'll continue to concentrate on improving the way we communicate with you and the quality of our service.



Mybapension online



Total visits to our NAPS and APS websites during the period 1 September 2016 to 31 August 2017 were 1,806,695



Page views within the NAPS and APS secure mybapension online areas were 760,316



51% of visitors to the NAPS website accessed the secure mybapension online area to view their personal NAPS statements

Mybapension online now holds a history of at least three of each type of statement for most members, enabling you to view and compare your statements over time to see how your benefits are growing from year to year.

Have you registered?

Currently over 48,000 NAPS members and pensioners receive their NAPS communications online (that's 77.5% of all NAPS members!).

If you haven't yet registered you could be missing out. It's easy to get started, just visit the 'Registration' page of our website at www.mybapension.com/users/sign_up



We've also added new online video guides on how to log into the secure section of our website to view your pension statements, and how to reset your password if you've forgotten it. Visit the 'Videos' page of our website at www.mybapension.com/naps

Online forms

Our range of easy-to-use online forms have proved very popular with members, with over 15,000 forms submitted via our website in the past year.

Don't forget, online you can:

- Complete a Surviving Dependant registration form to register a dependant for an Adult Survivor's pension if you are not married or in a civil partnership.
- Manage your AVC investments.
- Change your bank details for pension payments (for payment to UK banks only).
- Change your postal address.
- Give to charity from your BA Pension using our online portal.



Scheme pension increases

The 2018 pension increase is expected to be around 3%.

Most pensions within NAPS increase each year, as described in the Scheme Rules. In the first year, pension increases depend on the date you left the Scheme. The increases are set out in the Government's yearly Pensions Increase (Review) Orders, limited in NAPS to 5% in any year. These Orders broadly reflect the increase in the Consumer Price Index (CPI). The actual increase won't be confirmed until Orders are published in late March 2018 but we expect it to be around 3%. We'll provide pensioners with a pension increase statement as usual by the end of April 2018 to confirm the new pension amount that will apply from 9 April 2018, along with a P60 certificate for the year to 5 April 2018.

NAPS pensioners with pension benefits originally built up in the British Caledonian, Dan Air or Davies & Newman pension schemes have different increase arrangements and continue to receive the increase applicable to the Rules of their relevant arrangement.



Need to know

What to do when someone dies

We realise this will be a very difficult time, but it's very important that someone tells us straightaway when one of our pensioners dies – by calling the BA Pensions team on 0208 538 2100 (Mon to Fri, 9am to 5pm). As soon as we're notified, we can make sure that any survivor's benefits are put into payment without delay.

Should I complete a Notice of Wish form?

If you die after drawing your pension and no adult survivor's pension is paid from the Scheme, a lump sum death benefit might be due if the sum of the pension benefits you've already received is less than the pension contributions you paid to NAPS with interest added. You can tell the Trustee who you would like to receive any lump sum death benefits by completing a Notice of Wish form, available to download from the 'Forms' page of our website at www.mybapension.com/naps

Find out more

If you die whilst you're in receipt of your pension, your pension payments will continue until the end of the month in which you die and then they will stop. When you die, your spouse or partner, dependent children or additional dependants may be eligible to receive certain benefits. If these benefits apply, they will usually be paid from the date of your death. BA Pensions will start payment of these as soon as possible once we have all the information we need to set up the payments. We'll need to see original marriage and birth certificates if we haven't already, which we'll send back straightaway.

The GOV.UK website provides some useful information about what to do after someone dies. Visit www.gov.uk/after-a-death

Have your BA friends received In Focus?

Are you in touch with former employees of British Airways? Have they received their latest edition of In Focus, or any other pension communications from us in the last year or two?

If someone you know has not received either an email alert or a copy of In Focus in the post, please ask them to call us on 0208 538 2100 (Mon to Fri, 9am-5pm).

Pensioner support

Pensioners have their very own section of the member website. Even if you haven't registered for online communications you can still use the pensioner section of our website.

How can I access the pensioner section of the website?

1. Go to www.mybapension.com
2. Click on 'NAPS'
3. Click on 'pensioner members' for information about how your pension is paid, when it's paid, pension increases and what your dependants should do when you die. Copies of all our newsletters, including the quarterly newsletter, are available on the 'News' page of our website at www.mybapension.com/naps/news/trustee-quarterly-newsletters

More on the back page >

The BA Welfare and Benevolent Fund

This was set up by BA to help current and former employees who are experiencing financial hardship. Grants are awarded to help with the purchase of necessary goods or services that can't be afforded from normal income. Almost any one-off cost will be considered, although ongoing support cannot be provided. Examples of items for which grants have been awarded in the past are mobility aids or special equipment, appliances for the home and property maintenance and adaptations.

You can contact the BA Welfare and Benevolent Fund in confidence, in the following ways:

Email

bawelfare&benevolentfund@ba.com

Write to

BA Welfare & Benevolent Fund
c/o BA Clubs
Regus
450 Bath Road
Longford
UB7 0EB

The Former Staff Liaison Council (FSLC)

The FSLC is a long-standing group that BA formally consults with and who represent the views of pensioners and former employees. It meets four times a year.

If you wish to join FSLC to assist former colleagues, please contact them at any time by email to Liaison.1.council@ba.com

Contact us

BA Pensions is here to help all NAPS members; whether you're still working for BA, have left BA but not yet drawn your pension or if you're drawing your pension.

You can contact us in the following ways:

Write to:

BA Pensions
Whitelocke House
2-4 Lampton Road
Hounslow
Middlesex
TW3 1HU

Call:

020 8538 2100
Mon to Fri, 9am to 5pm

Email:

enquiries@bapensions.com

Visit our website:

www.mybapension.com/naps