

Welcome to the latest Trustees' online quarterly newsletter; designed to help keep you up to date with information about our current activities.

Trivial Commutation

Final details of a change we first mentioned in our May newsletter have now been agreed. Small pensions (those with a capital value of £10,000 or less within a single scheme) can be drawn as cash from *GMP* age (60 for women and 65 for men) or from age 60 (reducing to age 55 in NAPS from 6 April 2015) if individuals do not have a *GMP*. Most members of NAPS have a *GMP*.

If you are a pensioner with a pension of around £500 a year or less and you are over *GMP* age, you may be able to draw your whole pension as a cash lump sum (less income tax) and you should contact Whitelocke House (enquiries@bapensions.co.uk) if you think this might apply to you and you would like further details.

If you are a member or deferred pensioner due to draw a very small pension of around £100 a year at or after *GMP* age, you will be required to take your pension as cash at that date. 25% will be tax free and the remainder will be subject to income tax.

Finally, if you are a member or deferred member due to draw a pension of between around £100 a year and £500 a year pension at or after *GMP* Age, you are able to continue to draw benefits as a pension with a partial cash option but you now also have an additional option to draw the whole pension as a one off cash sum.

The limits above apply if NAPS is your only pension. If you have benefits in other UK registered Schemes as well as your NAPS pension, you may be able to draw all of your benefits from all schemes as cash (from minimum retirement age or *GMP* age if you have a *GMP*) if the combined capital value is less than £30,000.

DC Flexibilities and Money Purchase Benefits

The Government announced new flexibilities from 6 April 2015 that will allow members of *defined contribution* (DC) schemes to draw these funds as cash, 25% of which will be tax-free with the remainder up to the Lifetime Allowance subject to the member's marginal rate of tax at time of withdrawal. The regulations describe how individuals might access their DC benefits flexibly through 'drawdown' facilities or special lump sum payments. The regulations can apply to in house AVC schemes such as those operated by NAPS, where Scheme Rules are changed to allow this, but Schemes are not required to introduce the flexibilities. The changes are complex and until all of the detail has been issued, decisions cannot be finalised around whether the Scheme will offer any additional options. We are reviewing the changes in conjunction with the recent changes affecting the definition of our Short Dated Gilts Fund (SGF) and Equity Biased Fund (EBF) AVC Schemes. The government intends for additional guidance around the DC flexibilities to be available for individuals and it has recently been announced that this guidance will be provided by the Citizen's Advice Bureau (face to face) and the Pensions Advisory Service (over the telephone).

As reported in our August newsletter, we wrote to AVC Account holders in June to explain that under DWP legislation, the Scheme's SGF and EBF AVC funds are now classed as 'non-money purchase' arrangements and so would be treated with lower priority were the Scheme to be wound up in the future. We will write to AVC Account holders again with further details once we have determined what approach the Scheme will take to the DC flexibilities discussed above. The Trustees are not aware of any consideration being given to winding up the Scheme; we are just ensuring that AVC members have the full facts surrounding the impact of the change in definition of SGF and EBF Accounts and what options they might have.

Members' meetings

Rule 27 sets out the process for how a meeting of Members and Pensioners or a postal ballot may be convened or requisitioned. Due to the considerable expense of holding meetings, we have introduced a limitation that only one meeting can be convened by Members and Pensioners in any twelve month period. Also the Trustees can decline to hold a meeting or a postal ballot if they do not think it reasonable to hold one. We have also updated Rule 27 so that where the procedures for convening a meeting or holding a ballot refer to 'in writing' this includes emails, email attachments and faxes and remote meeting technology may now be used during a meeting in future if suitable.

AGENDA WATCH

At the October 2014 Quarterly meeting:

- We received our quarterly investment update from BAPIML and details of various financial transactions that had been considered and, where appropriate, actioned.
- Work continued on the review of the 31 March 2014 funding position.
- We approved the Scheme's Annual Report and Accounts, a summary of which will be published to members in the next In Focus newsletter. Copies of the full Report and Accounts will also be published on the 'scheme documents' page.
- We were very encouraged to note that 76% of the NAPS membership has now signed up for e-comms. We would still like to encourage those of you who have not yet registered for e-comms to do so by following the simple instructions in our January and February 2014 letters or, if you have misplaced these or need help, you can contact Whitelocke House (enquiries@bapensions.co.uk) who will be happy to assist you. Once you have registered, we can email you as soon as a new publication becomes available on the website.
- The Pensions Regulator (tPR) is running a further campaign to raise awareness of pension scams which promise members access to their pensions as cash before age 55. There are heavy tax penalties for members accessing such schemes and we have added further links on our website to warn members against these and to provide access to the tPR's latest information pack. Leaflets are also being enclosed with relevant member option packs.
- Three times as many Annual Allowance (AA) statements were issued in late summer 2014 for the 2013/14 period compared to the previous period. The AA for 2014/15 has dropped to £40,000 so we expect an even higher number of members to require a 2014/15 statement; due to be issued summer 2015. **If you are an active member and you have not yet registered for e-comms we strongly recommend that you do so (or opt for paper by writing to Whitelocke House) so that we can email you if you exceed the AA. If you do not register for e-comms it will be your responsibility to check the website for any AA statement that might apply to you.** The Scheme must begin to report details of members who exceed the AA directly to HMRC from the 2013/14 period onwards.
- We completed the usual quarterly review of the risk framework and confirmed risks were being controlled. We have described the purpose of the risk framework in previous editions of the Trustee newsletter.

Glossary

We will try to avoid using unnecessary jargon but there may be occasions where technical words or phrases are used. Where this happens we will provide further explanation in this box.

- *Commutation* – giving up pension for cash.
- *GMP* – guaranteed minimum pension, a minimum amount of pension NAPS promises to pay for service completed between April 1978 to April 1997.
- *Defined Contribution* – contributions are paid into a pension 'pot' which changes with investment returns, pot is exchanged for benefits at retirement
- *Defined Benefit* – e.g. NAPS pension, pension is calculated according to pay, build up rate and pensionable service
- *BAPIML* – British Airways Pension Investment Management Ltd. who manage the day to day investment of the Scheme's assets on our behalf.

Availability of Information

The Trustees meet quarterly with additional meetings being held as required. Much of the detailed work is undertaken by the Committees (Governance and Audit, Operations and Investment). In addition, sub groups are convened to look at specific issues.

We will seek to provide information on as many items as we can; however, there are some issues we won't be able to disclose. For example, if it involves an individual member, if the matter is commercially sensitive, if disclosure could undermine the Trustees' negotiations with third parties or where the information concerns planned investment actions.