

# NAPS Trustee Focus



A quarterly newsletter for the NAPS membership May 2015

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

## Trustee Changes

There have been two changes to employer appointed trustees; Peter Simpson has left British Airways and Joanna Boswell has stepped down as a Trustee. We welcome Ian Howick, Director of Heathrow (BA) and Nick Goddard, Head of Risk Management and Internal Audit (IAG) as their replacements. We look forward to working with our new Trustee colleagues in the years ahead.

## AVC Transfers

Our administration processes have been updated to offer the new AVC partial transfer option mentioned in our last newsletter and to provide members approaching retirement with details of the transfer value of their NAPS pension. These changes were introduced in response to changes introduced by the Government which take effect from April 2015, allowing greater access to *defined contribution* benefits from age 55. Under Scheme Rules, members can continue to exchange part of their NAPS pension and draw their AVCs as tax-free cash from the Scheme at retirement. As an alternative option they can now transfer part or all of their AVCs to an approved external provider to access them at or after age 55 as cash, subject to sufficient *lifetime allowance* being available, or from a drawdown arrangement. 25% of cash accessed in this way will be tax free. Members with deferred AVC balances can also transfer their remaining AVC balance out to an approved alternative arrangement.

## Guidance and Financial Advice Requirement

Active and deferred members still have the option to transfer their main pension to another arrangement if they wish to do so but should be aware that they will be giving up a *defined benefit* and must now take appropriate independent financial advice if the transfer value is £30,000 or more. The Trustees would always encourage members to seek financial advice before making any decisions about their pension. Members may be able to access more of their benefits as cash (at the cost of giving up regular pension payments) by transferring to an arrangement offering the new government flexibilities however, we have published important risk warnings from the Pensions Regulator on the '[Forms](#)' page of this website. All members considering transferring should read these before making any final decisions as they explain the options available externally together with the risks, such as running out of money in your retirement, and tax implications. Free guidance is also available through the government's Pension Wise: Your Money, Your Choice campaign from the Citizen's Advice Bureau (face to face) and the Pensions Advisory Service (over the telephone 0300 123 1047) but you will also need to obtain appropriate independent financial advice if your transfer value is over £30,000 as mentioned above.

BAMPS members now have the option to draw their BAMPS Account as cash from the Scheme at or after age 55, 25% of which will be tax-free and these members should also access the Pensions Wise guidance and refer to the risk warnings.

## Additional Transfer Flexibility

Additional legislation has also been issued which gives members a further right to a statutory transfer value as long as certain conditions are met. This could allow for example, members to transfer their main pension out of the Scheme but leave any AVCs behind or transfer out one particular AVC Account but leave other AVC Accounts behind. No further build up would be allowed in the particular type of benefit that had been transferred.

## Pension Increases

The pension increase effective 6 April 2015 was 1.2% and this has been applied to all eligible pensions. Where members have retired during the year, the increase is pro-rated for the number of months the pension has been in payment.

## New State Pension

As reported on page 6 of our February 'In Focus' newsletter, available on the 'News' page of the member website, the new State Pension (NSP) will replace the Basic State Pension and earnings related State Pension (State Second Pension S2P, formerly State Earnings Related Pension SERPS) for members reaching State Pension Age (SPA) on or after 6 April 2016, affecting men born after 6 April 1951 and women born after 6 April 1953. These changes together with the upcoming changes in respect of contracting out (also discussed in In Focus) may affect the level of State benefits members may be expecting to receive. We continue to analyse the impact for our members. Further clarification is awaited and we understand the Department for Work & Pensions is expected to issue an information leaflet on certain aspects of these changes which we hope will assist members. A further update will be provided as and when we have clarification. In the meantime for further information and to check your State Pension Age or request a State Pension forecast visit [www.gov.uk](http://www.gov.uk)

## E-forms

Building on the success of the Scheme's online communications programme, we are keen to introduce online forms via the personal section of the website and we have agreed this in principle for certain high volume transactions pending a system upgrade expected later in the year. We have noticed a sharp rise in email enquiries since the launch of ecomms and the

government's pension flexibility campaign. It is encouraging to see that members are raising questions and are keen to transact on line however we would like to remind you that **address changes cannot be accepted without a written signature** and so a signed request must either be posted to Whitelocke House or scanned and attached as a document to an email. An online form for address changes is planned which will allow these changes to be submitted online.

## AGENDA WATCH

### At the March 2015 Quarterly meeting:

- We received our quarterly investment update from *BAPIML* and details of various financial transactions that had been considered and, where appropriate, actioned.
- The Scheme's formal valuation at 31 March 2015 is underway. Data is being provided to the actuary to allow him to assess the Scheme's liabilities and any changes to membership profile. We began compiling a draft timetable of key meetings and discussions, including meetings with our advisers, the Company and the Pensions Regulator (tPR). A key piece of work which has already commenced involves PriceWaterhouseCoopers (PwC), on our behalf, undertaking a review of BA's *covenant*.
- The cash sweep mechanism provides for the Scheme to receive additional contributions in the event that BA's 31 March cash balance exceeds prescribed thresholds. The Trustees noted that a cash sweep payment is expected to be made by the Company by 30 June 2015.
- We approved the Deeds and Operating Rules relating to the introduction of the new AVC Transfer Option and BAMPS uncrystallised funds lump sums reported in this and our February and November newsletters. Operating Rules act in conjunction with Scheme Rules and both are available on the '[Scheme Documents](#)' page of the member website.
- Following a change in the law, partners can now share up to 37 weeks paid and 13 weeks unpaid maternity or adoption leave. We extended Scheme Rules to give members on shared parental leave the same option as those on maternity leave, to make the period of unpaid leave count towards their pension by paying backdated contributions when they return to work. The Company also pays backdated contributions for the unpaid period if the member elects to do so.
- We replaced the Scheme's historical arbitration rule which, since the Pensions Act 1995, has been superseded by the Scheme's Internal Disputes Resolution Process (IDRP) and the route members have to refer complaints to the Pensions Ombudsman if they are not satisfied with the outcome from IDRP.
- We assessed our performance against our business plans for the past year and approved our business plans for April 2015 to March 2016. We undertook the annual review of the terms of reference for each Committee and agreed feedback to be provided as a result of our annual review of our advisers.
- Following the usual quarterly review, we confirmed risks were being appropriately managed.

### Glossary

*Defined Contribution (DC)* – contributions are paid into a pension 'pot' which changes with investment return, 'pot' is exchanged for benefits at retirement

*Defined Benefit (DB)* – 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.

*Covenant* – the financial strength of British Airways in relation to its ability to support the Scheme. PwC have been engaged by the Trustees since 2006 to undertake the extensive investigations into BA's financial strength that are required.

*Lifetime Allowance* – at 6 April 2015 is £1.25m. At pension commencement, value of benefits being drawn (pension x20 plus AVCs) is compared against LTA in force (or remaining LTA if benefits previously drawn), any excess is subject to an LTA charge. Members could apply for protection.

### 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.