

A quarterly newsletter for the NAPS membership February 2016

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

Company Consultation

As we informed you last time, a New State Pension is being introduced by the Government from 6 April 2016 and *contracting out* will cease to exist from this date. As a result, National Insurance Contributions (NICs) paid by both active members and British Airways will increase from April 2016. British Airways has recently concluded its consultation with employees over how it intends to pass the increase in employer NICs onto employees, which it is permitted to do under legislation. If employees under *State Pension Age (SPA)* take no action their pension contributions will increase from 6 April 2016 by 3.1% of *band earnings* and their personal NICs will increase by 1.4% of *band earnings*. Members can choose a new lower pension build up rate of 1/83 for future service from April 2016, in which case they will not pay the additional 3.1% employer NICs but will still pay the additional 1.4% in personal NICs and will build up a lower pension. Members on higher build up rates can also move to one of the existing lower pension build up rates (1/67 or 1/75) if they wish to limit the impact to their take home pay. We are updating our Rules and governing documentation to accommodate this change and ensuring administration and system processes are in place to allow members to change their pension build up rates. We are working with the Company to offer an on-line facility for employees to change build up rates for 6 April 2016. Active employees under *State Pension Age (SPA)* who wish to change their pension build up rate should **complete BA's online election process by 7 March 2016** by following the link recently emailed by British Airways. If you are an active employee over SPA you are not affected, however if you wish to change your build up rate you should contact Whitelocke House.

Pensionable Dependants

We occasionally receive claims for an *adult survivor's pension* from an adult child when a pensioner dies. For pensioners who commenced their pension before July 2008 if an adult child meets the definition of *Pensionable Dependant* then the case can be considered by the Trustees. Where the pensioner's pension commenced after July 2008, legislation restricts the Scheme paying an *adult survivor's pension* to an adult child over 23 unless the child is mentally or physically impaired. Payment outside of the legislation would be an unauthorised payment and has tax implications for the dependant and the Scheme. Any claims would be looked at individually but members/pensioners should note that payment to an adult child *Pensionable Dependant* in respect of pensioners who commence their pension after 1 July 2008 may not be possible, due to the legislative restrictions.

Dependent Child allowances are a separate benefit and are not affected as they already satisfy the legislation. Scheme Rules determine that a Dependent Child is a child who is under age 16, or under age 23 and still in full time education/vocational training or unable to earn their own living due to serious and permanent illness or disability. A pension of 1/6 of the member's pension is payable to each of up to two Dependent Children when the member dies but the Trustees can decide to split the total amount of the two allowances (i.e. 1/3 of the member's pension) across more than two eligible children.

Tax Protections

A reminder for active members who expect the value of their pension benefits to exceed £1m by the time they are drawn: members intending to protect benefits up to a value of £1.25m by applying to HMRC for Fixed Protection 2016 from Lifetime Allowance charges must cease pension build up by 5 April 2016 by **writing to Whitelocke House by 29 February 2016 at the latest** confirming their intention to opt out of NAPS from 1 April 2016. We can accept a signed letter, scanned and attached to an email to enquiries@bapensions.com. Other protections are available and details were provided in the last Quarterly Newsletter and the In Focus available on the 'News' page of www.mybapension.com. Members likely to be affected in respect of their NAPS benefits were also written to last year.

Pension Increases

Scheme Rules determine that NAPS pensions are increased each April in line with the rate specified by Pensions Increase (Review) Orders (PIRO), limited to 5%. PIRO are currently based on the change in the Consumer Price Index (CPI) and on 14 October 2015 the Office for National Statistics announced that movement in the CPI for the year to September 2015 was negative 0.1%. As a result it is expected that there will be no PIRO for 2016. NAPS pensions will not be reduced; instead they will remain at their current level. Pensioners who used any AVCs to buy an increasing AVC pension, also known as an indexed annuity, will receive the 5% increase relevant to this benefit. Pensioners from British Caledonian or Davies & Newman/ Dan Air who have different increase arrangements will continue to receive the increase applicable to the Rules of their relevant arrangement. Whitelocke House will write to pensioners in April as usual.

Member Data

Data quality is monitored daily by BA Pensions and the Trustees carry out an annual review against targets they have set in line with 'Record Keeping' guidance issued by the Pensions Regulator. The latest annual check shows that overall the targets were met, with the exception of addresses for historical deferred pensioners where mail has been returned to Whitelocke House, and a very small number of National Insurance numbers. Tracing exercises continue to improve the quality of address data held for deferred pensioners and screening of records against the death register continues to be used to maintain accurate records and reduce the risk of overpayment of pension and of potential fraud. Please do let us know if you

are a deferred pensioner or pensioner and have not yet advised us of your change of address. You can now **notify us of your address change online** from the 'Forms' page of www.mybapension.com - saving you time and postage.

AGENDA WATCH

At the December 2015 Quarterly meeting:

- We noted that vacancies were due to arise on 1 April 2016 for Geoff LeBoutillier (pensioner elected Trustee) and Adrian Smith (cabin crew elected Trustee) and that an election process was underway to find their replacements. Notices of the vacancies were issued to members of the relevant constituencies in the week commencing 7 December seeking applications. Unfortunately no applications were received for the Cabin Crew vacancy and so we are due to issue a second notice for this position shortly. More than one nomination was received for the pensioner vacancy and a ballot is underway. We would like to thank Geoff and Adrian for their services and hope to announce their replacements as soon as possible. Details of the current Trustee board are kept updated on the 'About us' page of www.mybapension.com
- We continue our work on the Scheme valuation which we aim to complete by 30 June 2016 and as a result of personnel changes at British Airways, we are now working with a new British Airways team.
- We received our quarterly investment update from BAPIML including details of various financial transactions that had been considered and, where appropriate, actioned.
- BAPIML presented their annual Economic and Policy review to the Investment Committee and discussions on this item focussed on North American Equities, China and the future of the UK's membership of the European Union.
- In accordance with Financial Conduct Authority (FCA) regulations, BAPIML provides information on investment transaction costs twice a year to the Trustees. We noted the year's transaction costs and the arrangements that are in place to monitor and manage these.
- We completed the usual quarterly review of the risk framework and confirmed risks were being controlled adequately. We have described the purpose of the risk framework in previous editions of the Trustee newsletter.

Glossary

Contracting out – the option for pension schemes to 'opt out' of the earnings related state pension if they provided at least a minimum guaranteed level of pension. In return both BA and employees paid lower NICs.

Band Earnings – your total pay within a band set by the Government each year, currently between £5,824 and £40,040.

State Pension Age – age at which your state pension is due, to find out your State Pension Age visit www.gov.uk/state-pension-age

BAPIML – British Airways Pension Investment Management Ltd. who manage the day to day investment of the Scheme's assets on our behalf.

Adult Survivor's Pension – a pension of two thirds of the member's/pensioner's pension can be paid to a spouse, civil partner or *Pensionable Dependant* when a member/pensioner dies unless the member had chosen not to pay for this cover.

Pensionable Dependant – person, other than a surviving spouse, civil partner or Dependent Child who, at the date of the member's/pensioner's death was financially dependent upon the member or pensioner to a substantial extent or who lived in a relationship closely resembling marriage and was financially interdependent with the member/pensioner at the date of death.

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.