

NAPS Members' Newsletter

From the Trustee of the New Airways Pension Scheme

Welcome to this edition of our quarterly newsletter. It brings you up to date with information about the New Airways Pension Scheme ('the Scheme') and what we, your Trustee, have been doing for you.

Words in **blue** link to further information on our website.

Agreeing our Scheme's 2015 valuation

We have to carry out a formal funding valuation at least every three years. This is a detailed investigation into whether, over the long term, the Scheme is likely to be able to pay the benefits due according to its rules. This is distinct from the Annual Report and Accounts, which describe the financial position of the fund on a particular day.

As we announced on the [member website](#), on 26 October 2016, we reached an 'in principle' agreement with British Airways (BA) on our funding valuation for 31 March 2015.

The three main conclusions from the valuation agreement are:

1. The funding level has increased from 78.3% at the last valuation in 2012 to 82.7%.
2. The funding shortfall has slightly increased from £2,660m in 2012 to £2,785m.
3. BA will increase their contributions to £300m a year, to address the deficit. They will pay this as £25m a month from January 2017 to September 2027. As a result, the deficit is expected to clear in 12.5 years from the valuation date.

As part of the agreement, we have also updated the detailed measures that further protect and support the Scheme. This includes the potential for BA to contribute up to an extra £150m a year, depending on specific financial situations. We are now working with BA to finalise the legal and actuarial documents necessary to formally conclude the valuation process.

BA has told its employees that, with interest rates continuing at record low levels, the cost to the Scheme of paying future pension benefits is set to increase to an unaffordable extent. BA has said it is planning to consult with employees who are in NAPS, and their trade unions, about the future of the Scheme.

How we organise our meetings

The Trustee Directors meet quarterly for full Board meetings, or more often if necessary. We also have regular meetings of our committees, to deal with the detailed work of governance, audit, operations and investment. Then we have sub groups that look at specific issues.

Annual accounts published

We've reviewed and approved the Annual Report and Accounts for 31 March 2016. You can find them on the [member website](#).

We will be working closely with BA on this issue, but it is BA who will be running this consultation, not us, and we have no further information about it at the moment. Whatever happens, you can be certain that the pension you've built up so far in NAPS will not be affected.

Improving our online communications

We launched our online communication programme in 2014. Most members have now signed up to it. In fact, 79% of NAPS members now visit mybapension.com. This includes all members, whether they are still working for BA or not. Members are using it for all sorts of things, the most popular being to use the pensions modeller, and to get statements for benefits, AVCs and pension increases.

We're improving online communications all the time. For instance, pensioners and members who've left BA can now go online to let us know if they change address. We'll be putting more forms on the site very soon. For example:

- Members who've not yet retired will be able to tell us about their wishes in the event of their death
- Members still at BA will be able to stop, start or change the Additional Voluntary Contributions (AVCs) they make
- Members who've left BA but not yet retired will be able to switch their AVC investments
- Pensioners will be able to change the bank details for their pension payments.

We are planning to increase our online communications in the coming year. Going online reduces the amount we have to spend on postage, and gets news faster to members – especially those who live abroad. So please encourage other people to sign up – and if you're reading this but haven't signed up yet, please visit the [website](#) and click '[register](#)'. If you forget your password, don't worry. There's help available on the [website](#) and from the [BA Pensions team](#).

Updating our corporate structure

To bring us in line with the best practice of large pension schemes, we have adjusted our structure to manage the Scheme through a Corporate Trustee. This change doesn't affect our duties or responsibilities as the Scheme's Trustee. Nor does it affect in any way the pension that you get from the Scheme, either now or in the future.

Risk update

We have completed our quarterly review of our risk framework, and confirmed that risks are being controlled appropriately. See [previous newsletters](#) for more on this risk framework.

How to ask a question or get more information

This newsletter contains general information about the Scheme. If you have a more detailed question, please [contact us](#). There is more information about your options and benefits on the [member website](#).

We'll always try to answer your questions if we can. Some information is confidential, for example if it:

- is about another member
- is commercially sensitive
- could undermine our negotiations with another party
- is about our investment plans.

New Airways Pension Scheme Trustee Limited was appointed as the sole Management Trustee of the Scheme on 26 October 2016. Having considered your feedback, the individual Trustees are now Trustee Directors of the Corporate Trustee, as proposed. They remain responsible for managing the Scheme through the Corporate Trustee.

Once the six Member-Nominated Trustee Directors reach the end of their terms, members can elect future Member-Nominated Trustee Directors. Two vacancies for Member-Nominated Trustee Directors will become available on 1 April 2017. Watch out for further details of how to stand for election or how to vote, on the [news page](#).

The [letter we sent you in August](#) explained the benefits of this change and how Trustee Directors will be appointed in future. We asked for your questions on this, and have published our answers in a [Frequently Asked Questions](#) document on the member website.

Appointing a new Chief Executive

Teresa Suriyae has retired from the roles of Managing Director of BA Pension Services and Scheme Secretary, after 38 years' service. [As we have already announced](#), Teresa has been succeeded by Fraser Smart. Fraser joins us as Scheme Secretary and Chief Executive Officer of BA Pensions, with responsibility for both BA Pension Services and BA Pension Investment Management. Fraser is an actuary with over 25 years' experience in pensions. He will be focussing particularly on member services – for example, improving our communications with you.

Addressing the Scheme's risk factors

We've continued to extend our work on managing risks, by commissioning new analysis to help shape our strategy.

As we discussed in our [May newsletter](#), the Pensions Regulator encourages trustees to carry out 'integrated risk management' – examining how the three areas of risk in their scheme relate to each other. These areas are investments, liabilities (money we'll need to pay pensions now and in the future) and [covenant](#) (the employer's obligation and financial ability to support the scheme).

We recently asked PricewaterhouseCoopers to analyse the impact that certain economic scenarios might have on these three areas of risk. We're now considering this analysis and how we can feed it into our strategies for investing, de-risking and hedging.

Higher earners affected by change to Annual Allowance

The Annual Allowance is a limit to the amount of tax relief you get on pension savings each year. In April 2016, HMRC reduced the Annual Allowance for some higher earners. **This change doesn't affect you if your taxable income is under £110,000 a year.**

You still get the full Annual Allowance, which is currently £40,000 a year.

If your taxable income is more than £110,000, you need to work out your 'adjusted income'. Broadly speaking, this is your taxable income plus the increase in the value of your pension during the year, not including any Additional Voluntary Contributions you've made. If your adjusted income is less than £150,000, the change still doesn't affect you, even though your taxable income is over £110,000.

If your taxable income is over £110,000 and your adjusted income is over £150,000, then your Annual Allowance is tapered. This means that for every £2 your adjusted income is over £150,000, your allowance goes down by £1. So, if your adjusted income is £150,002, your allowance reduces to £39,999. This taper continues down to a minimum of £10,000 – everyone gets at least this much Annual Allowance.

HMRC says that individuals are responsible for working out their tapered Annual Allowance. It's not something their pension scheme can do for them. HMRC has provided **guidance on how to work it out**. There's a helpful fact sheet on the **member website**, and next year we'll be writing to members who we estimate might be affected by the tapered Annual Allowance, based on their BA pensionable salary.

If your pension savings and built-up benefits add up to more than your Annual Allowance, you'll have to pay some extra tax. You can ask us to pay this tax on your behalf as long as your total tax charge exceeds £2,000 and you qualify for the full £40,000 Annual Allowance. We can pay this out of your Additional Voluntary Contributions account if you have one, or by reducing the income you'll get from your NAPS pension. If you have a tapered Annual Allowance, we can't pay your tax in this way at the moment – you have to make your own arrangements for paying it. However, we are looking at whether we will be able to help members in this situation in future.