
NAPS Members' Newsletter

From the Trustee of the New Airways Pension Scheme

Welcome to the latest edition of the newsletter. It brings you up to date with information about your New Airways Pension Scheme and what we, your Trustee, have been doing for you over the last quarter.

Words in **blue** link to further information on the member website.

Award winners

We are proud to announce that the BA Pensions team recently won two prestigious pensions industry awards – the Professional Pensions, pension scheme of the year awards for best administration and best trustee development.

Our administration team has worked hard to put members at the centre of everything they do, going the extra mile to improve performance against the service levels agreed with the Trustee and to maintain a high quality service. We have put members in control through the member website, video teach ins and online forms and delivered IT initiatives to fine tune the quality of the data held for members. The team's focus on training delivered 260 hours of training right across the benefits administration department during the year, a graduate mentor programme, personal development plans, forums for developing skills and shadowing and coaching to help staff dealing with your phone calls to deliver an even better service.

Delivering the best outcome for members demands high quality trusteeship. This requires Trustee Directors who have a deep understanding of their role, have access to the right information and receive strong support. BA Pensions designed a nimble training programme for the Trustee Directors, using internal expertise and contacts to deliver training of exceptional quality. This means we have the knowledge and support we need, with training integrated into our meeting cycle to make sure we are prepared for the decisions we are about to make. BA Pensions also developed and delivered its own course, based on the Pensions Management Institute's Award in Pension Trusteeship (APT). The pass-rate for the Trustee Directors who took part was 100%.

Trustees

Mr Graham Fowler, NAPS pensioner Trustee Director reaches the end of his term of office on 30 September 2017. He re-stood for the position and [nominations for other candidates](#) to be considered were also invited.

No other nominations were received and Mr Fowler therefore remains in position from 1 October 2017 for a further term of between five and five and a half years.

Preparation for BA consultation

We don't yet know when BA will begin its consultation with members about pension provision in NAPS for future service. Although the consultation is not being run by the BA Pensions team, we are preparing for an increased number of members to contact us with questions about their pension benefits. Before they contact us, we would recommend that members check their latest [benefit statement online](#) and use our [online modeller](#). We think this will answer many of the questions that members will have, and it will free the pensions team up to help with questions that the modeller cannot answer.

The consultation will be run by BA. It will not be run by the Trustee or BA Pensions.

When we receive further details from BA, we will add questions and answers to the member website www.mybapension.com.

You may have received a communication from your trade union mentioning informal talks about the future of NAPS between the trade unions and BA. Please find the Trustee's response [here](#).

BA Pensions has received an increased number of requests from members for transfer-out quotations. Whilst it may be some members' preference to transfer their NAPS benefits to an external pension arrangement, this is not generally expected to be the best action for most. You need to take independent financial advice before transferring your benefits to an external pension arrangement. We explain the Pensions Regulator's concerns over defined benefit transfers on [page 5](#) of this newsletter.

The Scheme is not winding up. If it were to close to future build up, the benefits you build up until that time are protected and would remain in the Scheme. You would still be able to transfer-out those benefits in the future, if you wanted to.

Other investment news

We received our quarterly update from British Airways Pension Investment Management Limited (BAPIML), our in-house investment team. This update looks at market and economic developments over the quarter. It also explains recommendations from the investment committee on various financial transactions that have been considered and, where appropriate, actioned.

In light of the Grenfell Tower tragedy, the property team has instructed managing agents, building surveyors and insurers to carry out a joint audit of the cladding on the entire property portfolio. Once this audit is complete, the managing agents will write to tenants to share the results and give them details of any actions that need to be taken. There are no high-rise residential dwellings in the direct property portfolio at the moment.

EBF bonus award

In June we issued AVC statements to all members with AVC Accounts. The [bonus](#) declared by the Actuary for the equity biased AVC fund (EBF) to be applied to funds between 1 April 2017 and 31 March 2018 was 7.3%.

For further information and the rates of return for all three of our in-house AVC funds visit the [AVC fund rates](#) page.

Effective Governance

The Pensions Regulator encourages trustee boards to regularly assess the effectiveness of their investment governance processes, stating that ‘governance structures should strike an appropriate balance between speed of action, and checks and balances to ensure that actions are appropriate’.

Our latest review made sure that our investment governance allows the Trustee investment committee to focus on strategic decisions affecting funding and risk. It also looked at the role of advisers to the investment committee and ways we can improve delegation.

The Trustee Directors of each Scheme also took part in a strategy away day, where they refreshed the Scheme’s future strategy and we have scheduled a Trustee Board effectiveness workshop for later in the year. These initiatives help us to stay ahead of the Pensions Regulator’s drive for 21st Century Trusteeship.

Communications strategy

The introduction of Pensions Freedom and Choice, changing tax allowances and changes to pension build up rates amongst other pension changes, mean members face more complexity than ever before. They also have more choices to make. It is the Scheme’s role to make sure we are giving you all the information you need to make the right choices at the right time.

That’s why we are reviewing our communications strategy. The BA Pensions team will work with a communications specialist to review all our communications material. We will also survey members to find out exactly what you need from us. This work will help us to improve the way we communicate with you and help you get the most from your Scheme.

NAPS journey plan

Over time, the amount of money the Scheme needs in order to pay benefits will change. The 'investment journey plan' plots the funding level that will be needed at different points in time, if the Scheme is going to be able to pay these benefits. The Trustee's investment strategy aims to help the Scheme achieve these funding level targets.

When the Scheme reaches certain triggers, it moves some of its investments. It moves them from assets like stocks and shares that target growth, to assets like government bonds that lock in that growth and better match pension payments. This way the scheme is gradually de-risking.

Following the completion of the 2015 actuarial valuation, we have agreed a revised journey plan for NAPS. The plan will continue to be reviewed at least every 3 years.

Employers' contributions for future service

As part of the 2015 valuation process we agreed an increased level of contributions that BA must pay to the Scheme to fund both past and future service benefits and to reduce the Scheme's funding shortfall (deficit). The contributions are detailed in a new Schedule of Contributions that was effective from 1 January 2017. We regret to report that although employee contributions, the deficit contributions and the increased employer contributions for past service benefits were paid to the Scheme correctly and on time, an error in fully communicating the changes meant that BA did not increase its contributions for future service in respect of payments due for January and February 2017, resulting in a contribution shortfall of around £19 million. This amount was received on 28 March 2017 and the correct contribution amounts have been received on time in respect of subsequent months. There has been no consequential impact on the Scheme's funding level.

We wish to be open with members about the delay in receiving these contributions. We have also informed the Pensions Regulator even though there has been no legal or regulatory breach and there is no formal requirement to report this. BA Pensions and the Trustee deeply regret this error and have conducted a full and thorough review of processes and communication channels to ensure this cannot happen again.

Finding financial advice

Before you can transfer your benefits out of the Scheme, you have to take independent financial advice. You should always check your adviser is registered on the [FCA website](#) and that they are authorised to give advice on defined benefit pension transfers.

The Trustee and BA Pensions cannot give you advice, but we are happy to explain the Scheme's benefits.

Pensions Regulator concerned over transfers

Last year around 80,000 people transferred from a defined benefit pension scheme (like NAPS) to a defined contribution scheme. It's not usually in people's interests to do this. Industry advisors are worried that people are giving up the guarantees provided by defined benefit pension schemes for immediate cash, without appreciating the risks involved. Here's a rough guide to help you compare your NAPS pension with buying an annuity or using drawdown. You should always take independent financial advice from a Financial Conduct Authority (FCA) authorised adviser when making important decisions about your pension benefits.

If you transfer your NAPS benefits to an UFPLS*/ Drawdown	If you transfer your NAPS benefits and use them to buy an annuity	NAPS
<p>The amount of money you have to take an income from depends on the transfer value, and any returns you get on your investments both before and after you start taking an income.</p> <p>Depending on how long you live, you will need to plan carefully how long your money needs to last because, unlike NAPS, under income drawdown it is not guaranteed for life.</p> <p>If you die before your partner, they would get any money that was left, which they could take either as a lump sum or as income.</p>	<p>You might get a bigger retirement tax free lump sum than from NAPS. But the amount of pension you would get after that would depend on the size of your remaining transfer value and the cost of buying an annuity. There is also a risk that, unless you buy an annuity that protects against inflation, the buying power of your pension could go down over time. Annuities with inflation proofing are more expensive so you may get less for your money. If you don't need an annuity that would give your spouse a pension, it may pay you more, but it still might not be as much as your NAPS pension would pay you.</p>	<p>Guaranteed pension payable for life.</p> <p>The amount you get doesn't depend on investment returns or annuity rates available when you want to retire or leave the Scheme.</p> <p>Your pension receives increases each year from the date you leave the Scheme, as well as yearly increases once it is being paid to you, in line with Scheme Rules.</p> <p>When you die, your spouse or civil partner at that time will receive a guaranteed pension. Partners can qualify for a pension if they meet certain criteria. Eligible children also receive a pension if you die.</p>

*we try not to use jargon, but you may hear the term uncrystallised funds pension lump sums (UFPLS) used by a financial adviser. These are policies that allow you to take your pension benefits as a series of cash sums, 25% of each is tax free. They are not something the Scheme offers, but there are providers you could use.