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# NAPS Members' Newsletter

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From the Trustee of the New Airways Pension Scheme

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

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

## **BA Member Consultation**

On 19 September, BA started a 60 day consultation with its employees on its proposals for future benefit provision. The consultation ended on 20 November 2017 and BA has entered a period of reflection.

Part of BA's proposals is to close NAPS to pension build up for future service and provide alternative benefits instead. We would like to be clear with members that NAPS is not being wound up. The pension that you have built up in NAPS to the date of any closure will remain in the Scheme and will continue to be paid when you retire.

Members have asked what the Trustee's role is in BA's consultation. The consultation is between BA and its employees and is not being run by the Trustee nor by BA Pensions. The Trustee and BA Pensions have had no input to the proposals, including any transitional arrangements, nor have they had any active role in the consultation.

We have provided answers on our website to the common questions the Trustee is receiving from members on the potential impact to their NAPS benefits [here](#).

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## **2017 interim annual actuarial valuation**

In between formal valuations, which assess the funding position of the Scheme every three years, the Actuary carries out interim checks of the funding position on at least an annual basis. The actuary has completed his 31 March 2017 annual valuation which shows that the funding level has improved since 31 March 2016 by 1.5% to 81.1% but that the funding deficit (shortfall) has increased from £3.4 billion to £3.7 billion.

## Annual Report and Financial Statements

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We have approved and signed the Scheme's annual report and financial statements for the year ending 31 March 2017. You can find an electronic **copy** on the members' website.

## BA's covenant

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We regularly take advice from PricewaterhouseCoopers (PwC) on BA's financial strength and whether it is likely to be able to keep making the required payments to NAPS. We considered PwC's latest report in detail, including information on BA's Q2 results, and are satisfied that BA can continue to meet its obligations.

Although BA has paid £720.6 million (including employee salary sacrifice contributions) into NAPS over the-year and strong investment returns have been achieved, a significant fall in gilt yields has resulted in the estimated value of the pension benefits increasing by more, so increasing the funding shortfall.

The Scheme's Recovery Plan remains in place which requires BA to make additional payments towards eliminating the funding shortfall. Further details of this plan can be found on page 5 of the annual report and financial **statements**.

The slight improvement in the funding level allowed us to make members' benefits more secure by reducing our exposure to investment risk. We have reduced the fund's holding of investments with the potential for higher growth from 65.25% to 63.75% and moved the proceeds into less volatile investments. This de-risking is in line with the Scheme's journey plan which we explained in our August 2017 **newsletter**.

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## Using the Pensions Advice Allowance

You will soon be able to use any additional voluntary contributions (AVCs) to pay for financial advice. The Pensions Advice Allowance (PAA) means that you will be able to use up to £500 of your AVCs, if you have saved these, on up to three occasions in your life to access financial advice. It must be related to the use of your pension, and be provided by an adviser registered with the Financial Conduct Authority (FCA).

You can find a financial adviser **here**.

You'll be able to use your PAA with other defined contribution arrangements you might have if these arrangements make such a facility available, but you will not be able to use your main NAPS pension to pay for advice. The Allowance cannot be paid to you, but must be paid directly by BA Pensions to the adviser.

The PAA will be available to our members as soon as we can finalise suitable changes to the Scheme Rules. We expect these to be complete early next year. We will provide a form on the member website for you to use.

## The Money Purchase Annual Allowance has reduced

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The Money Purchase Annual Allowance (MPAA) will be reduced from £10,000 to £4,000 a year, backdated to 6 April 2017. This will affect you if you are considering transferring out of NAPS.

This doesn't apply to benefits drawn from NAPS, but if you transfer your benefits out of NAPS and then access them from an external arrangement using the government's DC flexibility rules, then any future contributions you make to a DC arrangement, including AVCs, will be taxed if they exceed £4,000. If you are affected by the MPAA, the standard annual allowance for the rest of your benefits will be reduced to £36,000.

For a full explanation of the various annual allowances and charges please visit the member website at [mybapension.com/naps/scheme/the-annual-allowance-aa](http://mybapension.com/naps/scheme/the-annual-allowance-aa)

## Investment news

### Investing Responsibly

Because we know that responsible investment is important to many of our members, we've recently established a separate sub-committee of Trustee Directors to focus on environmental, social and governance issues in relation to the Scheme's investments. We have completed the annual review of both our Corporate Governance and Socially Responsible Investment programmes. Further information regarding these **programmes** can be found on the members' website.

### AVC Arrangements

Our investment and operations committees are working on a three-yearly review of the AVC arrangements that NAPS has in place for you. This will make sure that the funds continue to meet best practice and satisfy The Pension Regulators' code of practice on governance and administration of money purchase benefits.

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## Governance

### Review of advisers

As a matter of good governance we review each of our professional advisers on a regular basis. In September we completed the review of our auditor against a shortlist of other providers and agreed that we should retain the services of KPMG. We are next due to review the Scheme's actuarial adviser and our legal advisers will also be reviewed in due course.

### Keeping your data safe

UK law must reflect new European legislation relating to data protection by May 2018. The new legislation is designed to harmonise data protection law across Europe and reflect advances in technology.

We have always taken the protection of our members' data very seriously and fully comply with current data protection laws. We are currently assessing our practices against the new requirements to make sure that we comply by the effective date next year.

## Trustees

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The term of office for Graham Fowler, a Pensioner Trustee Director, expired on 30 September 2017. No other nominations were received from the pensioner constituency and Graham Fowler was re-appointed for a further term of office from 1 October 2017.

## Fighting tax evasion

A change in the law means that companies must now work against tax evasion. We are finalising our prevention procedures, which reflect six principles outlined within guidance from HM Revenue & Customs.

## Prevention of money laundering

New anti-money laundering regulations came into force on 26 June 2017. These only apply to our record keeping and require additional reporting to HM Revenue & Customs. We are putting the correct procedures in place to reflect the new requirements.