

COMMUNICATION – WEBSITE TO BE REFRESHED WITH MORE ON LINE

Welcome to the Trustees' on-line quarterly newsletter which we have been producing for well over a year now to provide you with up to date information about our current work.

E-Comms in 2014

Since we mentioned e-comms in our February newsletter, we have been working on plans for moving more communications to the website www.mybapension.com. Many organisations now offer website communication and changing communications in this way will allow us to make information available to you quickly and with potential cost savings for the Scheme. This is a significant change to the way we communicate with you and means that many of the Scheme's usual communications such as In Focus newsletters, pension increase letters, active member benefit statements and a new deferred pensioner benefit statement will be available to you securely on the member website rather than being sent in the post. We have agreed to launch e-comms early next year and members and pensioners will be asked to register an email address with us so that we can email you as soon as a new communication is ready to view on line. Watch out for further details in the e-comms launch letter we will be sending to all pensioners, deferred pensioners and active members early next year. The website is being refreshed and reorganised and we hope you will find it easier to navigate around to access the information that is relevant to you about your pension benefits. We do hope that many of you will find the new arrangements useful; all of your pension scheme information available in one place 24 hours a day; however we appreciate e-comms will not suit all of our membership and so we will also be putting in place a straightforward process for you to tell us if you still wish to receive paper communications, if that is your preference. As always, we welcome any feedback you may have on our communications. This should be sent to enquiries@bapensions.com.

Funding update

In between each three yearly formal Scheme valuation the Scheme's *Actuary* carries out an interim valuation to track the progress of the Scheme's funding. We have recently discussed the *Actuary's* proposed report for the period to 31 March 2013 and this will be finalised shortly. Further details are expected to be available in the next In Focus newsletter.

Administration matters

The Scheme's *Actuary* commenced the usual review of Scheme factors following the conclusion of the valuation. Factors are relevant to active members as they are used to calculate retirement options such as exchanging pension for a lump sum or drawing pension early before Normal Retirement Age (NRA). Once we have finalised the required factor changes it takes at least three months to calculate, load and fully test them across the range of retirement calculations. Full details of the changes and implementation timetable are expected to be provided in the next In Focus.

The 1/130 pension build up rate, introduced to help active members with their tax planning, was reviewed by the Scheme's *Actuary* together with the eligibility criteria of £60,000 unabated pensionable pay and it was agreed both were still appropriate.

A rule change was approved to further improve the flexibility of Additional Voluntary Contributions (AVCs) paid by active members via the Company's SmartAVC arrangement. Unlike normal AVCs, SmartAVCs benefit from an additional 10% uplift paid by the Company into a member's AVC account and the increased flexibility means they can now be stopped, started or varied from the first of any future month just like normal AVCs. Most active members are eligible to pay SmartAVCs and further information can be found on the website.

A few members continue to pay AVCs as irregular lump sum payments which do not benefit from the 10% uplift paid by BA. The deadline for submitting lump sum AVC requests to Whitelocke House will change to the 10th of the month to allow for input and processing time and members who usually pay lump sum AVCs may wish to consider paying regular SmartAVCs instead. Please complete an AVC form available on the 'forms' section of the website if you wish to make any changes.

Legislation exists that allows trustees to forfeit the benefits due to a member's or pensioner's dependant or spouse in the circumstances where that recipient has been convicted of the murder of the member or pensioner. Although this is hopefully an unlikely event, we agreed that our Rules should be brought in line with this legislation.

AGENDA WATCH

At the Oct 2013 Quarterly meeting:

- The Investment Committee reported on the annual performance review for the Fund and we were pleased to note that the returns achieved by *BAPIML* had exceeded the target benchmarks for 1, 3, 5 and 10 years.
- We received our quarterly investment update from *BAPIML*.
- Following completion, in June 2013, of the 2012 funding valuation both the *dynamic de-risking* and *liability hedging* programmes have been subject to detailed review.
- As part of this exercise the Trustees have also reviewed the *Statement of Investment Principles* and are developing a new version of this document which will be more suited to viewing on the member website.
- We received the twice yearly update on BA's finances from Nick Swift, BA's Chief Financial Officer. He discussed BA's results and updated us on the progress of financing deals for fleet replacement and the need for cash flow to repay these deals. We assessed the impact of these plans on the strength of the Company in relation to the Scheme's *Recovery Plan*.
- We reviewed the quarterly reports from each of the Governance and Audit, Investment and Operations Committees together with the annual budget quarterly variance report to make sure our business plans remain on track.
- We reviewed and signed off the audited Annual Report and Accounts for the Scheme for the 2012/13 period. Copies are available under the scheme documents section of the website and a summary is to be included in the next In Focus.
- Ian Bretherton was reappointed unopposed as the member nominated Trustee from the pilot constituency.
- 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

We will try to avoid using unnecessary jargon but there may be occasions where technical words or phrases are used. Where this happens we will seek to explain what is meant in this box.

- *Actuary* – the Scheme's actuary is James Wintle of Towers Watson.
- *BAPIML* – British Airways Pension Investment Management Ltd. who manage the day to day investment of the Scheme's assets on our behalf.
- *Dynamic de-risking* - arrangements to actively manage risk as funding levels improve, to move the weighting from Return Seeking assets towards Liability Matching assets.
- *Liability hedging* - a programme aimed at aligning the Scheme's assets with the liabilities by hedging the Scheme's exposure to interest rates and inflation.
- *Statement of Investment Principles* – legislation requires trustees to prepare and maintain a statement describing the investment policy being pursued by the trustees, including the principles to be followed when making investment decisions.
- *Recovery Plan* – a plan to return the Scheme to 100% funding over an agreed period.

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.