

New Airways Pension Scheme Recovery Plan

New Airways Pension Scheme Trustee Limited, the Trustee of the New Airways Pension Scheme (“the Scheme”), has prepared this Recovery Plan after obtaining the advice of Aaron Punwani, the Scheme Actuary, in accordance with Section 226 of the Pensions Act 2004.

1. Steps to be taken to ensure that the Statutory Funding Objective is met

The actuarial valuation of the Scheme as at 31 March 2018 revealed a funding shortfall (Technical Provisions minus value of assets) of £2,399m.

In order to eliminate the shortfall as at 31 March 2018, the Trustee and British Airways plc (“BA”), the Principal Employer for and on behalf of the Participating Employers of the Scheme, have agreed to eliminate the funding shortfall by the payment of deficit reduction contributions to the Scheme as set out in the table below.

Deficit reduction contributions payable by BA

The table below sets out the deficit reduction contributions payable by BA. In a separate legal agreement, the Trustee has agreed that some of the deficit reduction contributions payable under the previous Recovery Plan dated 25 October 2019 can be deferred and each of the contributions should be labelled as either Non-Deferred DRCs, Deferred DRCs or Interest payments for the purpose of this Recovery Plan. As part of this separate legal agreement, BA has granted the Trustee security for the deferral and in certain circumstances, the Deferred DRCs set out in this Recovery Plan can be accelerated.

Timing	Amount	Frequency		Type
1 April 2018 to 31 March 2019	£450m	Payable in equal monthly instalments of £25m in arrears, plus a lump sum payment of £150m payable in June 2018.	(Paid)	Non-Deferred DRCs
1 April 2019 to 30 September 2019	£300m	Payable in equal monthly instalments of £25m in arrears, plus a lump sum payment of £150m payable in June 2019.	(Paid)	Non-Deferred DRCs
31 December 2019	£250m	Lump sum payment of £250m (defined as the Special Contribution in and subject to the terms of the separate legal agreement referred to below)	(Paid)	Non-Deferred DRCs
1 October 2019 to 31 March 2020	£150m	Payable in equal monthly instalments of £25m in arrears.	(Paid)	Non-Deferred DRCs

Timing	Amount	Frequency	(Paid)	Type
1 April 2020 to 31 August 2020	£450m pa	Payable in equal monthly instalments of £37.5m in arrears.		Non-Deferred DRCs
1 September 2021 to 31 March 2023	£450m pa	Payable in equal monthly instalments of £37.5m in arrears.		Non-Deferred DRCs
1 April 2023 to 31 March 2024	£450m pa	Payable in equal monthly instalments of £37.5m in arrears.		Deferred DRCs
April 2024	£36.3m	Lump sum payment of £36.3m.		Interest

In relation to the above Non-Deferred DRCs, the Trustee and BA have agreed a mechanism whereby:

- If the Technical Provisions funding level equals or exceeds 97%, some of the above contributions may be paid into an escrow account rather than the Scheme.
- The funds in escrow would subsequently be paid to the Scheme or returned to BA depending on whether the Scheme is fully funded against its Technical Provisions at future assessment points.
- Payments may cease if the Scheme is funded above 100% of Technical Provisions over the recovery plan period and would restart if a funding deficit reemerges.

This mechanism is documented in separate legal agreements.

The separate legal agreement that provided for the deferral of certain deficit reduction contributions as referred to above, also contains provisions that may require BA to make additional payments to the Scheme on the happening of specific events. For example, costs related to the security provided in favour of the Trustee or where some dividends are paid by BA. The legal agreement documents how those additional payments should be treated for the purposes of this schedule, for example, as pre-payment of Deferred DRCs or pre-payment of other fixed deficit contributions which are still due for payment and payable under the Recovery Plan.

The Trustee and BA have separately agreed a package of additional security and other measures aimed at further improving the funding position and members' benefit security over time, which are documented in a separate legal agreement. Under these arrangements, additional payments may be made to the Scheme from time to time, on dates determined pursuant to that agreement, including as mitigation of special distributions and these additional payments shall be treated as pre-payments of the fixed deficit contributions which are furthest in the future and are still due for payment and payable under the Recovery Plan (as documented in the relevant legal agreement).

2. Period in which the Statutory Funding Objective should be met

The deficit is expected to be eliminated by 30 April 2024. This is based on the following assumptions:

- the Technical Provisions are calculated according to the method and assumptions set out in the Scheme’s Statement of Funding Principles dated 25 October 2019;
- the return on existing assets and new contributions during the period are as adopted for the calculation of the Technical Provisions; and
- no further account is taken of any payments that may arise under the package of additional security and other measures agreed by BA and the Trustee.

3. Agreement by the Trustee and BA

This Recovery Plan was prepared on 19 February 2021.

Signed on behalf of the Trustee

Signature:.....


Name:

Position:

Date:

Agreed for and on behalf of the Participating Employers of the Scheme

Signature:.....


Name:

Position:

Date: