

New Airways Pension Scheme

Summary funding statement

Updating you on the funding position as at 31 March 2020



Glossary

Wherever the following terms are used in this document, they have the meanings set out below.

Assets	The total market value of the investments and cash held by the Scheme, built up from contributions made by BA and the Scheme members plus investment returns.
AVC funds	These funds relate to the additional voluntary contributions funds available in the Scheme. More details are available on our website .
Deficit	The difference between the value of a scheme's assets and its liabilities, if the value of the assets is not enough to cover the scheme's liabilities. Deficits are also sometimes referred to as shortfalls.
Deficit reduction contributions	Contributions BA makes to the Scheme to improve the funding position and remove the technical provisions deficit over time.
Funding level	This measures a scheme's progress towards having enough money to pay all promised benefits. The funding level is given as a percentage and is calculated by dividing the assets by the liabilities.
Illiquid assets	An illiquid asset is an asset that is designed for longer-term investment, so is usually difficult to sell quickly without losing a lot of value. Examples of illiquid assets include property or shares in a private (unlisted) company.
Investment risk	The risk of investments not performing as well as expected or the value of the assets changing by a different amount to the liabilities, which would result in a higher deficit. Investment risk tends to be higher in certain assets (such as equities, illiquid assets and property) than others (such as government bonds and cash).
Liabilities	The value placed on expected future benefit payments and expenses, calculated using actuarial methods and assumptions.
Liability-matching investments	These invest contributions in assets which have similar characteristics to a pension scheme's liabilities, for example, income that matches the scheme's expected benefit payments.
Responsible investment	An investment strategy and practice which considers both financial returns and environmental, social and governance (ESG) factors.
Return-seeking investments	Investments in assets which aim to increase the value of a pension scheme's investments (capital growth) with a lower income stream and typically produce higher returns over the long term, but with a higher level of investment risk.
Schedule of contributions	A document that sets out the level and timing of contributions to be paid to the Scheme. The schedule of contributions must be agreed between us and BA, and certified by the actuary. It must also be revised as part of each valuation.
Solvency position	The actuary estimates how much an insurance company would charge to take over responsibility for paying all of a pension scheme's benefits, for example, if the Scheme was wound up (ended). Comparing this estimate with the value of the Scheme's assets gives the solvency position.
Statement of investment principles	A document which sets out the investment principles that govern decisions about a pension scheme's investments. We must prepare the statement of investment principles under the Pensions Act 1995. A copy of the statement of investment principles is available on the 'Scheme documents' page of our website.
Surplus	The difference between the value of a pension scheme's assets and its liabilities, if the value of the assets is higher than its liabilities.
Technical provisions	A method of calculating the Scheme's liabilities which uses assumptions we have agreed with BA. By law, these assumptions must be cautious.

Summary funding statement

As the trustee of the New Airways Pension Scheme (referred to in this document as ‘the Scheme’) we are responsible for making sure that the Scheme has enough funds to pay your benefits. This summary funding statement provides an update on the Scheme’s position which is relevant for all members, including members from legacy schemes such as former British Caledonian, Dan Air and Davies & Newman members. We carry out a detailed financial health check of the Scheme’s funding position, known as a valuation, at least every three years and issue yearly updates in between. This summary funding statement provides an update on the Scheme’s position following the 31 March 2020 yearly funding update.

In the year to 31 March 2020

Between 31 March 2019 and 31 March 2020, the funding level reduced from 90.6% to 87.1% and the deficit grew from £1,880 million to £2,634 million. This is mainly because investment returns were much lower than expected over the year, made worse by falls in interest rates and lower expectations of future investment returns. As a result, the Scheme needs to hold more assets now to make sure it can meet future benefit payments. However, BA paid in contributions of £706 million, which partially balanced out the negative investment conditions over the year.

Since late February 2020, the stability of the pensions market has been affected by the coronavirus (COVID-19) pandemic, and the pandemic is one of the leading factors for the reduced asset values and corresponding drop in the Scheme’s funding position at 31 March 2020. Since 31 March 2020 there has been further instability in the market, but over the longer term, towards the end of 2020, the funding position has improved. We are looking at ways to protect the Scheme from possible further shocks in the financial market.

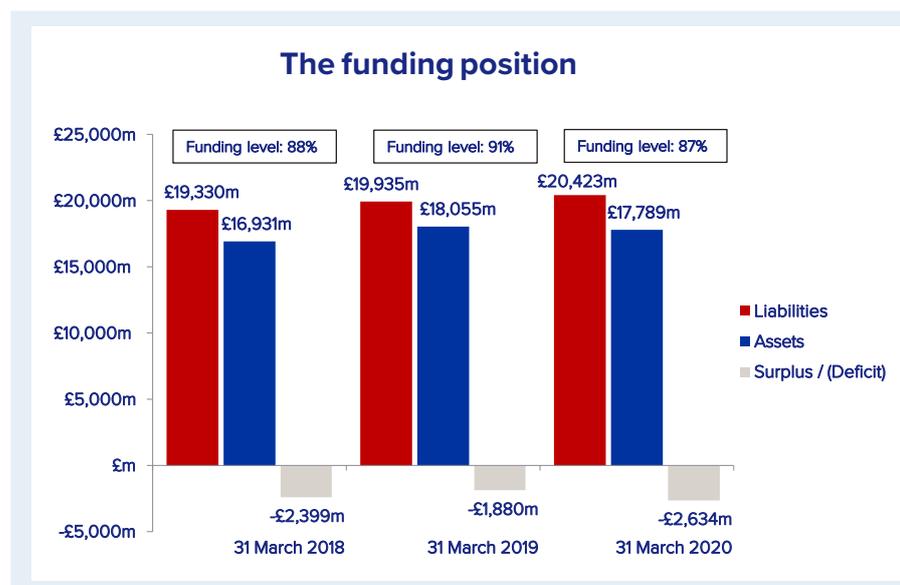
How the funding position is worked out

To assess the funding position of the Scheme we look at the following two things.

- The funds built up from contributions made by BA and the Scheme members plus the investment returns. These are known as the Scheme’s assets.
- The total value of future pension payments promised to Scheme members. These are known as the Scheme’s liabilities.

The value of the Scheme’s assets is the value of all the Scheme’s investments on a particular date (in this case, at 31 March 2020). This is relatively straightforward to work out. You can find more details about the Scheme assets in our [2020 annual report & financial statements](#) which is available on the Scheme Documents page of our website.

The Scheme actuary works out the Scheme’s liabilities in a number of ways using various assumptions, for example about the life expectancy of members and the investment returns we might achieve in future.

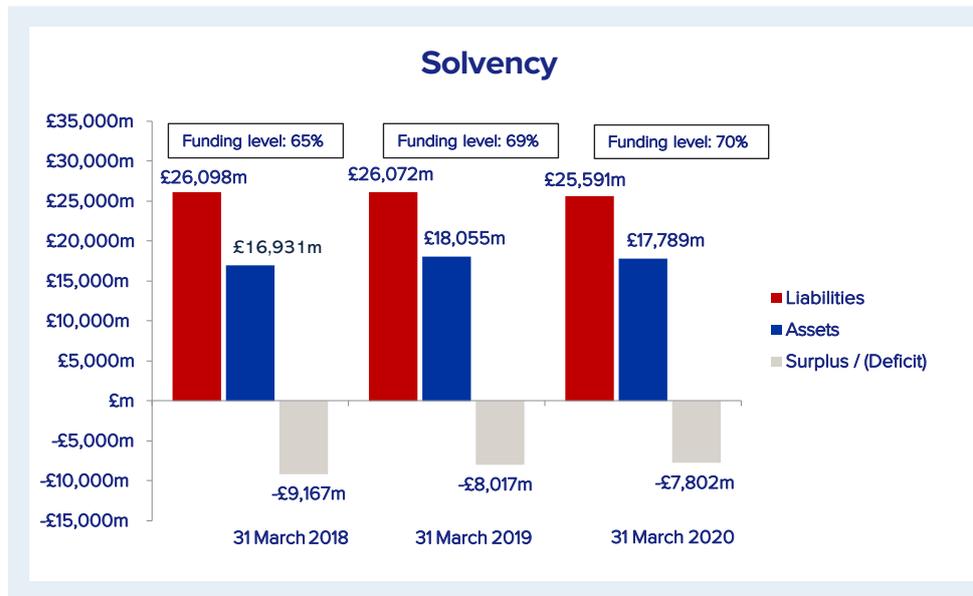


We compare the assets and the liabilities to work out the Scheme’s funding position under different scenarios in line with the Pensions Act 2004. The technical provisions are a key measure of the liabilities. They are used to work out the level of funding needed from BA and are calculated assuming the Scheme will continue into the future and that BA will continue to operate and to support the Scheme.

Other measures

The Scheme actuary must also provide an estimate of what the funding position would be if the Scheme had been wound up (brought to an end) at the valuation date. This is known as the solvency position and looks at whether the Scheme has enough money to buy insurance policies to provide all the benefits promised to members. There are no plans to wind up the Scheme. The solvency position simply helps us to understand the Scheme's financial position.

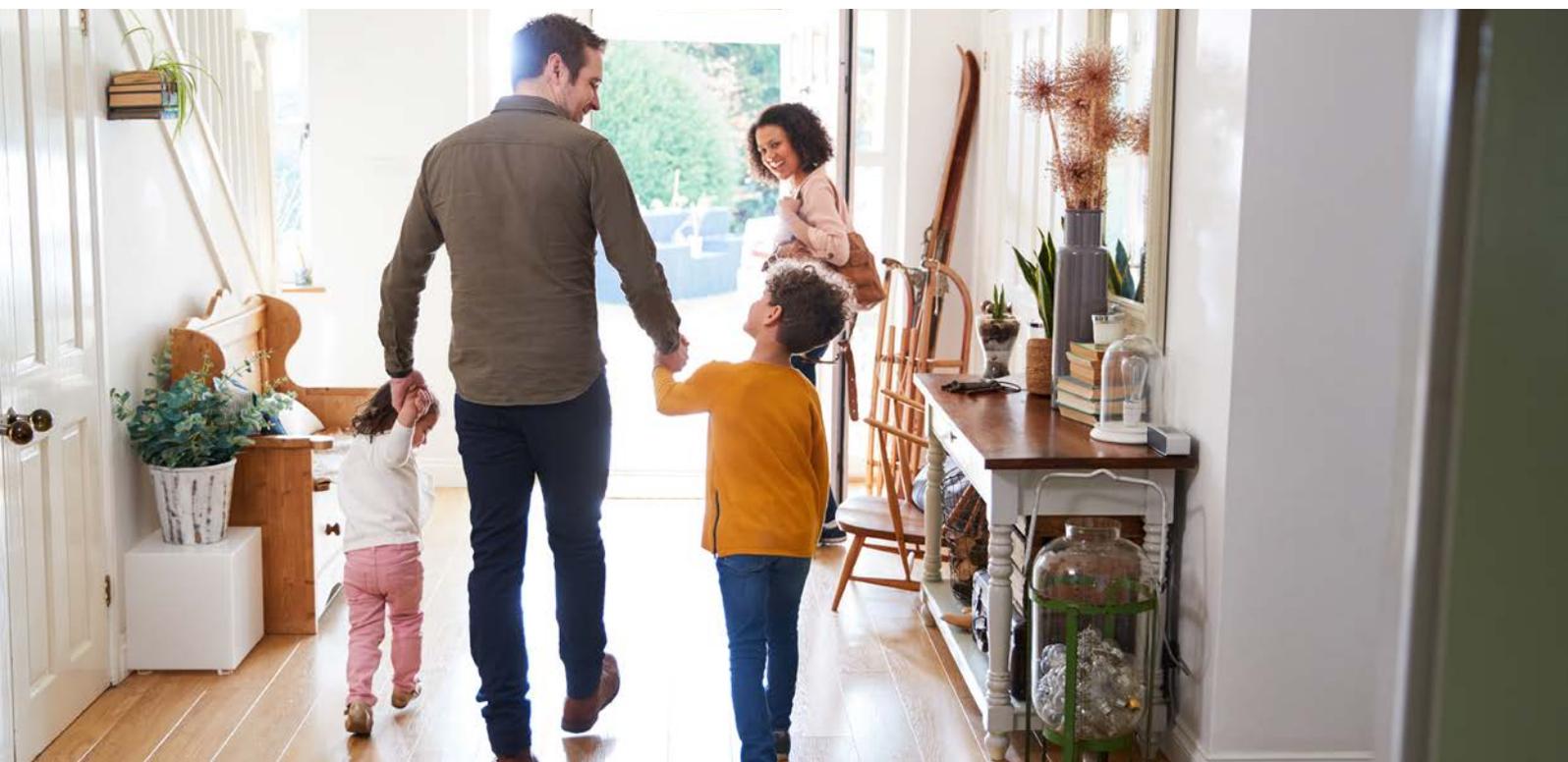
At 31 March 2018, the value of the Scheme's assets was enough to buy an insurance policy which would cover 65% of members' benefits. This estimate showed that BA would have had to make an extra final contribution of about £9.2 billion to make sure that an insurance company could pay all members' pensions in full. This shortfall does not affect the pensions being paid out of the Scheme – we have always paid members their full pensions. As at 31 March 2020, the Scheme actuary estimates that the solvency position might have improved to cover 70% of members' benefits.



Recap of the results of the last valuation as at 31 March 2018

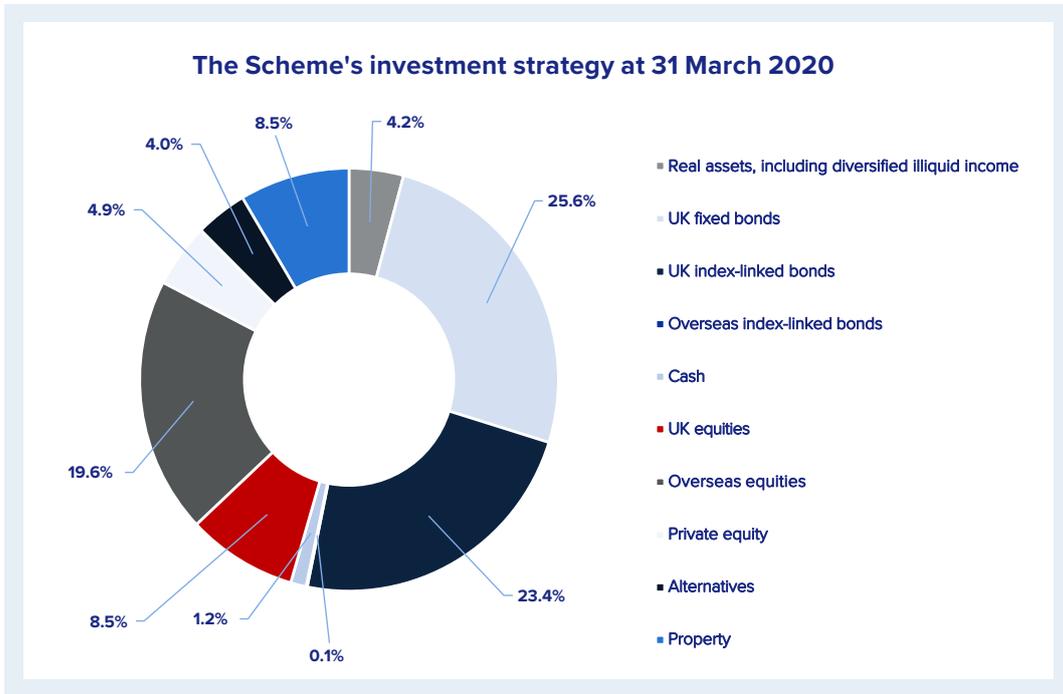
Every three years the Scheme actuary carries out a formal valuation of the Scheme. We provided the results of the 31 March 2018 valuation in last year's summary funding statement and we have included a brief recap this year. For more details, see last year's [summary funding statement](#) or the Scheme actuary's report on the [2018 valuation](#) which is available on the ['Scheme documents'](#) page of our website.

The 2018 valuation found that the funding level had improved from the previous formal valuation, carried out in 2015, to 87.6% (82.7% in 2015) and the deficit had reduced to £2,399 million (£2,785 million in 2015). As part of the valuation, BA agreed to make deficit reduction contributions in the form of fixed payments of £450 million a year (£37.5 million a month) from April 2020. Under these agreed measures, the deficit was expected to be cleared five years from the valuation date (in the 2015 valuation it was expected that the deficit would take 12.5 years to clear). BA also made an extra one-off payment of £250 million to the Scheme in December 2019 as part of the settlement agreed in April 2019 between BA and APS. The next formal valuation is due to be calculated as at 31 March 2021.

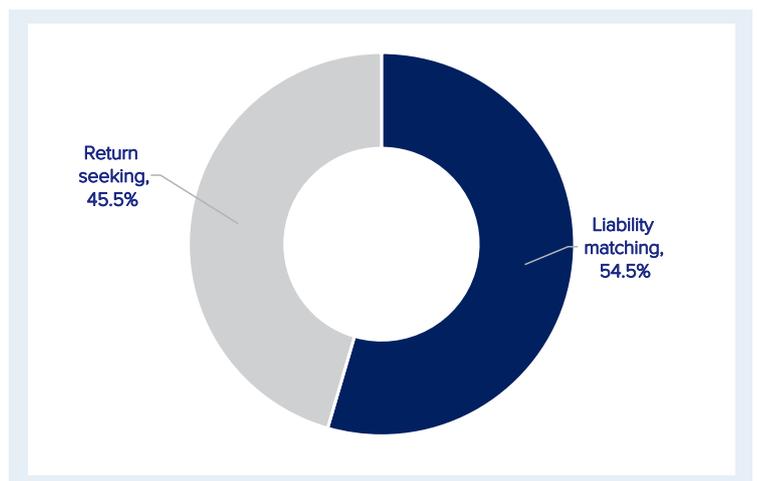


The funding and investment strategy

We have a strategy in place which aims to reduce the Scheme’s overall exposure to investment risk. This means moving money out of more risky investments and into investments which are expected to behave in a similar way to the value of the liabilities, so there is a good mix of investment growth and security. This gradual process of reducing risk has been built into the assumptions the technical provisions use to calculate the Scheme’s liabilities.



The funds are invested in a range of assets. As at 31 March 2020, the Scheme’s investments were split between two broad categories of return-seeking assets (such as equities and illiquid assets, including property) and liability-matching assets (such as cash and bonds). We monitor the investment strategy and update it when appropriate. There are more details on the investment approach, and the Scheme’s approach to responsible investment, in the statement of investment principles, available on the ‘[Scheme documents](#)’ page of our website.



Finding out more

How the Scheme's benefits are protected

Pension providers are regulated by a watchdog called The Pensions Regulator. The Pensions Regulator can intervene and issue directions to trustees and companies to make sure employers pay money to a scheme or put another form of financial support in place.

As part of this statement, we must tell you if the Scheme has made any payments to BA since the last valuation update as at 31 March 2019. We can confirm that no payments have been made. We are pleased to say that The Pensions Regulator has not enforced an approach for calculating the Scheme's liabilities using the technical provisions and has not set a schedule of contributions.

The Pensions Regulator has more information about valuations and funding statements on its website at www.thepensionsregulator.gov.uk.

The Pension Protection Fund

The Government set up the Pension Protection Fund to pay compensation to members of occupational schemes if their employer becomes insolvent and cannot cover the cost of providing the scheme benefits. You can find more information at www.pensionprotectionfund.org.uk.

Important to know

Transfers

If you are thinking about transferring your savings out of the Scheme, we recommend you get financial advice first. During these difficult times we are aware that there is an increased risk of pensions scams. If you are considering transferring your benefits out of the Scheme or someone approaches you with pensions advice you haven't asked for, we strongly recommend that you get financial advice before making any decision. Please also read the useful information the Financial Conduct Authority provides on its website about pension scams at <https://www.fca.org.uk/scamsmart> before deciding to go ahead with a transfer from the Scheme.

Use of personal information

As the trustee of the Scheme, we (New Airways Pension Scheme Trustee Limited) hold and process personal information about Scheme members and beneficiaries so that we can run the Scheme. In doing so, we keep to relevant data-protection legislation. Our latest [privacy notice](#) is available on our website.

Find out more

You can find the Scheme's full valuation report for 2018, as well as trustee reports and financial statements, on the '[Scheme documents](#)' page of our website.

We regularly publish news and our trustee bulletins on our website. If you're registered for our online communications, we will send you email alerts whenever new information about your pension is available.

For more information about your pension or the Scheme, please visit the [FAQs](#) page of our website.

Or, if you have a question about your pension, you can contact us in several ways (please remember to include your pension reference number or British Airways staff number).

Send us a message through our website at www.mybapension.com/naps/contact-us.

Call us on 020 8538 2100 (Monday to Friday, 9am to 1pm).

Write to us at:
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L69 2YL.

