

NAPS and APS reviewed

BA News article, published 18 January 2007

Update from the Trustees of NAPS and APS

Every three years certain factors used in pension calculations for the British Airways NAPS and APS schemes are reviewed by the specialist pension advisors to the schemes (called actuaries) to ensure they are still valid and reflect both external conditions and the schemes' experience and membership profile.

These include the factors used to calculate cash lump sums, early retirement reductions, late retirement increases and the value of pensions transferred outside of the schemes.

A review of these factors has recently been undertaken as part of the actuarial reviews of APS and NAPS and the table over the page shows the changes that will apply from 1 April 2007.

The changes to the factors take account of the longer life expectancy and expected future changes to the Schemes' returns on investments as assumed in the latest valuation process.

Withdrawal of Variable Pension Option

The Trustees have also decided that the level/variable pension option will no longer be available for those retiring after 31 March 2007. This option was designed to provide the same annual pension throughout retirement by giving a higher APS/NAPS pension before state retirement age and then a lower one afterwards so that the total amount stayed the same.

Members retiring before 1 April 2007 will still be eligible for the option and figures will be provided in retirement packs if it applies to them.

This option was amended in April 2006 to facilitate legislative changes following A-day and the schemes also have seen a decline in the take up of the option. Because of these factors and the increasing longevity of the membership the option will no longer be available.

Factor	What is it?	How is it changing?
Exchanging pension for a lump sum (commutation)	At retirement you can chose to give up part of your pension in exchange for cash. Usually this cash sum is tax-free.	Factors will increase for retirements on or after 1 April 2007. In other words for each £1 of annual pension you give up you will receive more cash.
Early retirement reduction factor	If you retire before your Normal Retirement Age (NRA) a reduction is applied to your basic pension entitlement to take account of the fact that you will be drawing your pension for longer than expected.	The reduction will be less for retirements on or after 1 April 2007. In other words you will get a bigger immediate pension than if you had retired using the old factors.
Crystallisation	If your intended retirement date (IRD - this used to be called compulsory retirement date) set by the Company is later than your normal retirement age (NRA) set by the pension scheme and you continue working beyond your NRA, you can chose to stop paying pension contributions at or after your NRA and 'crystallise' your pension. When you then retire an uplift is applied to your pension because you have not drawn the pension as expected.	The uplift factors will be lower for anyone choosing to crystallise on or after 1 April 2007. <i>Important note for those members who have already crystallised prior to 1 April 2007</i> you will be guaranteed the old factors. The reduction to crystallisation factors will not affect you.
Deferring your pension beyond NRA	This relates to those members who no longer work for the company or have opted out of the pension scheme and are entitled to a deferred pension but have chosen not to draw this pension even though they are over their normal retirement age (NRA).	The factors used to calculate the uplift you will receive for deferring your pension beyond your NRA will reduce for periods of deferral after 1 April 2007 - i.e. less uplift will be payable
Transferring benefits	This relates to the cash equivalent value of your pension when transferring your BA pension to another pension arrangement.	There will be no change to these factors at this time however a review is scheduled for later this year to coincide with a general review within the Actuarial and Pensions Industry.