



In Focus

Annual funding statement

In May last year we wrote to you giving final details of the 2006 Actuarial Valuation. We are now sending you details of the funding position one year further on as at 31 March 2007.

You might recall that at 31 March 2006 APS had a funding level of 100% which meant that the Scheme had just enough funds to provide benefits as they fell due to be paid over the years ahead. However, during 2006/7 the Trustees and British Airways agreed that to further improve the underlying security of the Scheme the Company would arrange to provide, via external financial institutions, guarantees to the value of £230m, in the event of the Company becoming insolvent. Those guarantees remain in place but we have asked our Actuary to provide an update of the current funding position of the Scheme.

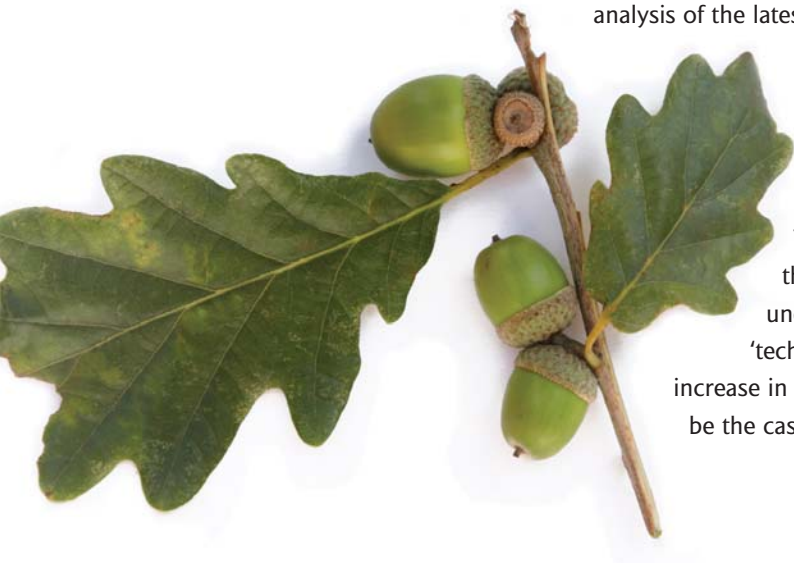
This update has not involved the detailed analysis which takes place as part of the formal triennial valuation but some of the underlying assumptions have been updated to reflect actual investment conditions as at 31 March 2007. A particularly important assumption taken into account is how long pensioners will live. The 2006 valuation assumed that pensioners' life expectancy would continue to grow. The details of this assumption have not been updated, but analysis of the latest data, which includes general national mortality statistics,

suggests that a faster rate of improvement may need to be allowed for in the next formal valuation due in 2009.

Work undertaken for this valuation will include an in depth review of the Scheme's actual mortality experience.

The following table shows the approximate funding level of the Scheme required to provide the level of benefits promised under the Rules of the Scheme as they fall due (known as the 'technical provisions'). Whilst these figures show a slight increase in the funding level there is no guarantee that this will always be the case and the position will be formally reviewed each year.

31 March 2006	31 March 2007
100%	102%



The main reason for the improvement in the funding level is the increase on yields from index-linked gilts over the last year.

When we wrote to you last May we not only set out the funding level to pay the 'technical provisions' we also set out the funding levels on two other measures: a) if the Company withdrew its support (say, in the event of insolvency) but with the Trustees continuing to run the Scheme on; and b) on the basis that the Trustees bought out the benefits with an insurance company. On these measures the funding levels have also improved from 93% to 95% and 86% to 87% respectively.

In our September 2007 edition of *In Focus* we set out a summary of the investments held in the Scheme. A copy of the September 2007 edition together with the formal Annual Report and Accounts and other documents about funding (such as the last formal Actuarial Valuation report) can be found on our website www.mybapension.com click on 'News' or 'Scheme documents'.

We will ask the Actuary to carry out another annual review as at 31 March 2008 and will let you know the outcome of that review as soon as that work is complete.

Trustee matters

There have been a number of changes to the Trustee Board:

- Following the increase in the size of the APS Board, Mr Graham Tomlin was elected as a Pensioner Trustee after a ballot of APS Pensioners and Capt Mike Post was re-elected as a Pensioner Trustee. Mr Tomlin and Capt Post are appointed for a terms of office of between five and five and a half years commencing on 1 October 2007.
- Mr Paul Douglas retired as a Trustee of both APS and NAPS on 30 September 2007 and British Airways appointed Capt Jon Round as a Trustee of APS and NAPS with effect from 1 October 2007.
- British Airways has also appointed Mr Raj Mehta as an APS Trustee with effect from 1 October 2007 to bring the total Board to 12 Trustees. Mr Mehta continues to be a NAPS Trustee appointed by British Airways.

SMART Pensions

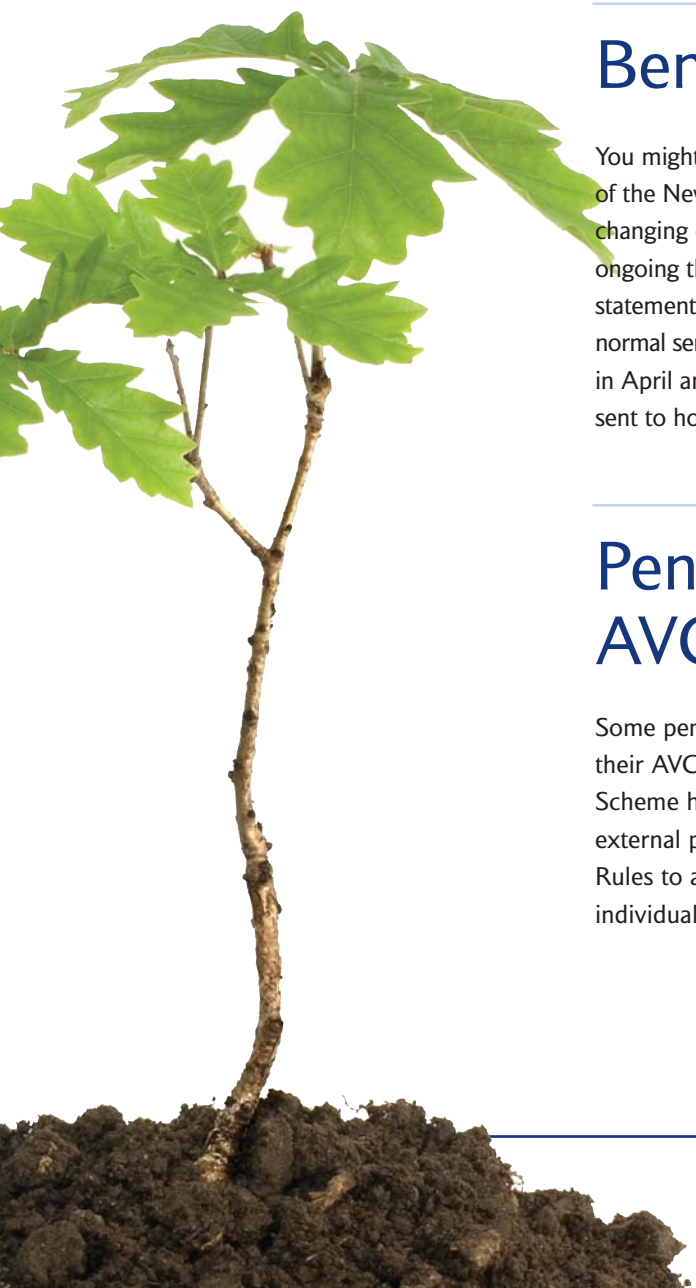
All current employees who are active members of APS will have recently received information from the Company concerning its new salary sacrifice scheme known as SMART pensions. Scheme Rules will be amended to reflect this new arrangement, but all levels of benefits will be unaffected by the new arrangement. However, because of the way SMART pensions works, members who pay maximum AVCs, i.e. 30% of pay, will pay slightly more AVCs once SMART pensions is introduced. Conversely, those members who are not paying maximum AVCs, but are paying AVCs as a percentage of pay (rather than a fixed monetary amount), will pay a slightly lower amount of AVCs once SMART pensions starts. As a result, AVC contributors are advised to bear this in mind and, if necessary, write in to Whitelocke House if they wish to make any amendments to their future AVC contributions.

Benefit Statements

You might recall that in April 2007 changes were made to the benefit structure of the New Airways Pension Scheme (NAPS) and since that time we have been changing our pension calculations to reflect these changes. While this work was ongoing there was initially a short interruption in the production of benefit statements for APS active members. However, we were able to resume our normal service very quickly, with statements for APS active members with birthdays in April and May, receiving their statements in July 2007 (statements are usually sent to home addresses in the month following the active member's birthday).

Pensioners with deferred AVC accounts

Some pensioners have decided to draw their main Scheme benefit but leave their AVC accounts deferred within the Scheme. In the past the Rules of the Scheme have not permitted these AVC accounts to be transferred to an external pension arrangement, but the Trustees have recently amended the Rules to allow this facility. Each pensioner concerned has received an individual letter from us to let them know of this new option.



Transferring benefits

It is expected that later this year the regulations governing transfers from one scheme to another will be amended, which will have the effect of increasing the value of transfers payable by the Scheme. Those active members and, in particular deferred pensioners, who are considering transferring their benefits from the Scheme to another pension arrangement, may wish to bear this information in mind when deciding the timing of any potential transfer. The Trustees recommend that active members and deferred pensioners considering transferring benefits out of the Scheme consult their independent financial adviser about the timing of the transfer.

The Scheme rules are also in the process of being amended to allow all contracted-out rights to be left in the Scheme where a member wishes to transfer his/her non contracted-out rights to a contracted-in arrangement. Contracting out refers to benefits that have built up in the BA Schemes instead of the state additional pension schemes. Previously only contracted-out benefits in respect of service before April 1997 could be left in the Scheme.

Independent financial advice should not just be sought in respect of transferring benefits. You should always seek independent financial advice before making any decisions concerning your pension arrangements.

Keep us up-to-date

If you are a pensioner or deferred pensioner please remember to keep pensions up-to-date with any change of address.

Active members should remember to keep their Notice of Wish (NOW) up-to-date as this is used as guidance by the Trustees when distributing any death in service lump sum. NOW forms can be printed from our website www.mybapension.com. Please return completed forms to Whitelocke House.

Active members, don't forget to check your benefit statement to make sure you are happy with the scheme options you have chosen. For example, the benefit statement shows whether you are currently paying for a survivor's pension for your spouse or surviving dependant. If you wish to opt into or out of survivor's cover then please write to Whitelocke House.

More Information

As always more information concerning the Scheme can be found on our website www.mybapension.com or you may prefer to contact us at Whitelocke House, 2-4 Lampton Road, Hounslow, Middlesex TW3 1HU. Alternatively, you can contact us by email enquiries@bapensions.co.uk or call our Customer Service Team between 9am and 5pm on 020 8513 2222. Our fax number is 020 8572 6235 (or internally 32257).

