

Letter from the Chairman of the NAPS Trustees, sent to NAPS members February 2007.

Dear NAPS member,

10 Year Funding Plan for NAPS

When I last wrote to you I told you that the funding shortfall in NAPS had increased from just under £1bn to about £2.1bn and that British Airways had offered to make a cash injection of £500m to help reduce the increased shortfall. I also said that the Trustees believed that changes to future benefit build up would be necessary to help fully close the shortfall. British Airways has consulted with the Trade Unions and the final benefit changes have been presented to the Trustees.

Over the last year or so the Trustees have obtained expert advice in respect of the valuation of the Scheme and the medium and long term financial position of British Airways. We have used this advice to help us negotiate an appropriate funding plan with British Airways which includes an increased cash payment and regular contributions which should close the shortfall over a 10 year period.

We have now concluded our funding negotiations with British Airways and have formally agreed a series of measures which are expected to close the shortfall by March 2016. In summary these measures are:

- British Airways will pay £240m to NAPS immediately and another £560m on 2 April 2007.
- If certain financial conditions are met over each of the next 3 years British Airways will pay NAPS an additional £150m in cash.
- British Airways has arranged for a financial guarantee of £150m to be provided by a 3rd party. The Trustees will be able to call on this guarantee in certain circumstances including if British Airways becomes insolvent.
- The Trustees will introduce, with effect from 1 April 2007, the benefit changes and associated options announced by British Airways last month. These changes affect active members only. Pensioners and Deferred Pensioners are not affected by these changes.
- In addition to the cash payments of £800m British Airways will also pay around £127m a year from April 2007 until March 2016 to close the remaining shortfall. British Airways will also pay the appropriate cost for future pension build up for active members and the annual levy to the Pension Protection Fund.

Whilst the Trustees were reluctant to make changes to future pension build up, we have come to the conclusion, after considerable thought, that this funding plan is fair, is the best achievable outcome and will improve security for all 70,000 members and pensioners of the Scheme. The funding plan strikes the appropriate balance between short and long term contributions and takes into account British Airways' current and expected future financial position. We believe that members of the Scheme should take comfort that these arrangements will make the benefits that have already built up more secure and more certain of full payment when they become due.

Active Members

Over the next few weeks our administrative team will be making the necessary changes to systems to ensure the new benefit arrangements will be implemented from 1 April 2007. If you are an active member we will be writing to you in late March setting out how the changes will affect you personally and what options you have under the new arrangements. A full information pack will be provided at that time. You will have until the end of May 2007 to make any decisions regarding your pension build up for 2007/8 but you will also have further opportunities during the rest of your career to make further changes to your pension arrangements. Over the next few weeks we will contribute to a series of articles in BA News about the new benefit structure and the options available to you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roger Maynard', written in a cursive style.

Roger Maynard
Chairman of Trustees