

NEW AIRWAYS PENSION SCHEME FINAL SALARY SECTION HANDBOOK

This handbook briefly explains how the final salary section of the New Airways Pension Scheme (NAPS) works and the choices available for current members, although it does not cover every detail about the Scheme. The full details can be found in the Trust Deed & Rules, as amended from time to time. This handbook does not confer any rights to membership or benefits. Those rights are conferred solely by the Trust Deed & Rules. If there is any conflict between this handbook and the Trust Deed & Rules, it is the Trust Deed & Rules which will override. If you have any questions or need more information please visit our website, where you can find the latest copy of the Trust Deed & Rules.

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Jargon explained

Some words used in this handbook have specific meanings and we have produced this glossary to help you. Where each of these words is used in the handbook, it will be highlighted. A Simple English Guide is also available on our website.

Adult Survivor: is your legal spouse (husband or wife) at date of death or your Civil Partner (under the Civil Partnership Act 2004).

British Airways Pensions: is the organisation that looks after the Scheme split between administration British Airways Pension Services Limited (BAPSL) and investments British Airways Pension Investment Management Limited (BAPIML).

Contracted Out: Opting out of the State Second Pension (S2P), formally known as the State Earnings Related Pension Scheme (SERPS). NAPS is contracted-out for all Members.

Deferred Pensioner: Someone who has left the company and has benefits in the Scheme that have not yet come into payment.

Employer: British Airways plc or any other company in the British Airways Group which participates in NAPS.

Future Service Benefit: This is the pension earned in relation to service from 1 April 2007 onwards.

Member: A member who is still in company service and has not left the Scheme. Also referred to as an Active Member.

NAPS: New Airways Pension Scheme introduced in 1984.

NAPS 1 Pensionable Pay: Pensionable Pay is reduced by broadly 1.5 times the current single person's Basic State Pension (the reduction for the 2008/9 tax year is £7,020). This is the pay on which members pay pension contributions and on which pension benefits are based.

NAPS 2 Pensionable Pay: Pensionable Pay is reduced by the lower of 15% or the NAPS1 reduction. This is the pay on which members pay contributions and on which pension benefits are based.

Normal Retirement Age (NRA): This is the age at which the pension earned is due in full. You may choose to retire before, at or after NRA.

Past Service Benefit: This is the pension earned in relation to service prior to 1 April 2007.

Pensionable Dependant: is someone who, in the opinion of the Trustees, is either financially inter-dependent with or financially dependent upon you to a substantial extent at the date of your death, such as a common-law spouse, partner or someone who is financially dependent upon you for the everyday necessities of life.

Pensionable Pay: British Airways determines the elements of your pay that are counted for pension purposes and over what period those elements apply. In the case of a *SmartPension* member, Pensionable Pay is the member's pay before the deduction of *SmartPension* contributions. Annual Pensionable Pay increases will be no more than increases in inflation (Retail Price Index) but any increments and promotions in addition to any standard annual increase will generally continue to be pensionable. For GSS staff and participating in the GSS Option, Pensionable Pay is increased in accordance with the original agreement made in 2003. For air crew, Future Service Benefit will be based on a different level of pensionable pay to Past Service Benefits.



Pensionable Service: This is the period in years, months and days you contribute to the Scheme plus any service provided as a result of a transfer of pension from a previous scheme. If you work part-time, your Pensionable Service is pro-rated.

Plan 65: This is the standard pension benefit calculation for the build-up of all benefits from 1 April 2007 based upon a NRA of 65.

Plan 60: Members can pay higher pension contributions in order to have an earlier NRA for Post April 2007 benefits.

Recognised transfer: A transfer representing a Member's accrued rights under a **Registered Pension Scheme** to another **Registered Pension Scheme** (or, in certain circumstances, to an **insurance company**) or a **Qualifying Recognised Overseas Pension Scheme**.

Registered Pension Scheme: A pension scheme that has been registered by Her Majesty's Revenue & Customs (HMRC), or through acquiring registered status by virtue of being an approved pension scheme on 5 April 2006, it is registered under Chapter 2 of Part 4 of the Finance Act 2004.

Retiring Pay: This is generally calculated as the average of the best two years' Pensionable Pay in the five years before you leave the Scheme, retire or die. In respect of the pre April 2007 service, retiring pay will be calculated at the earlier of the date of your Pre April 2007 NRA or the date that you leave Pensionable Service. Retiring Pay always uses the full-time equivalent of Pensionable Pay even where part-time hours are worked (it is pensionable service that is pro-rated to any applicable part-time rate.)

SmartPension is an Employer arrangement which changes the way you pay normal pension contributions to the Scheme. Instead of contributions being deducted from your pay, the Employer pays them to NAPS and, in return, reduces your pay by exactly the same amount. By reducing your gross pay both you and the Employer pay reduced National Insurance (NI). For more information on *SmartPension*, visit the British Airways (BA) intranet.

State Earnings Related Pension Scheme (SERPS): The earnings related part of the State pension and can be paid in addition to the Basic State Pension for any individual who has not been contracted-out. Replaced by the **State Second Pension (S2P)**. NAPS is contracted-out of the SERPS/S2P arrangements.

State Pension Age: The age at which you start to receive your basic State pension.

For men: age 65

For women:

- age 60, if born before 6 April 1950

- age 65, if born after 5 April 1955

- between age 60-65, if born between 6 April 1950 and 5 April 1955

Transfer value: The value you have built up in a pension scheme that can be transferred to another scheme. If you are transferring the value to a final salary scheme you may receive a credit to your Pensionable Service. If you are transferring to a money purchase scheme, the receiving account will increase by the monetary amount of the transfer.

Trustees: A group responsible for managing all aspects of the Scheme. The Trustees ensure that all payments are received from BA and Members at the correct rates; that these payments are suitably invested and the correct benefits are paid from the Scheme. Members elect half of the Trustees and BA appoints the other half.



Your future, your choice

Your pension is one of the most valuable assets you have. A good company scheme such as the one described in this handbook is an essential part of your future, providing security and income for you and your dependants. This handbook is a guide to the Scheme's benefits under the Final Salary Section. You should read it and keep it in a safe place so you can refer to it when you need to. You will find more details on the Scheme's website www.mybapension.com including, for Active Members, the ability to view your latest benefit statement and model your expected pension benefits and options at retirement via the online link on the site.

This handbook briefly explains how the Final Salary Section of the New Airways Pension Scheme (NAPS) works and what choices are available to you although it cannot cover every detail about the Scheme. Full details of your benefits can be found on the website and within the Trust Deed and Rules.

NAPS has not been available to new employees since 1 April 2003.

The main section of the handbook relates to how the pension benefits are structured from 1 April 2007. For benefits earned prior to April 2007, please see page 6.

If you were a Member prior to April 1997, the Scheme must guarantee benefits at a certain minimum level equivalent to the benefits that you would have earned from the **State Earnings Related Pension Scheme (SERPS)**. The Scheme's requirement to provide the minimum benefits (effectively a minimum level of pension) may restrict the option to exchange part of your pension for a lump sum at retirement. **British Airways Pensions** will always check this requirement for you.

To make the most of NAPS, please take time to understand the benefits to ensure that they remain appropriate to your circumstances. A benefit statement will be automatically provided to most **Members** each year shortly after a **Member's** birthday detailing the level of personal and dependant pension cover that exists. Make sure that you read this document and check anything that you do not understand.

NAPS is administered by **British Airways Pensions**, which strives to provide an excellent service and has agreed service levels for replying to enquiries and processing requests in an accurate and courteous manner. Should you ever have a problem with your NAPS benefits please contact **British Airways Pensions**: you will find details of how disputes are resolved on page 19. You will find details of how to contact **British Airways Pensions** within the 'Keeping in touch' section of this handbook on page 20 and on the Scheme's website.

No longer want to be a Member?

If you no longer wish to be a **Member** of the NAPS, you may opt-out of the Scheme on the first of a month by providing British Airways Pensions with a calendar month's notice. Before making a decision to opt-out, you should consider the benefits that you will be losing. Remember, BA has stated that you will not normally be allowed to re-join NAPS or the British Airways Retirement Plan (BARP).



Pension calculation

NAPS is a final-salary related occupational pension scheme – often referred to as a defined benefit scheme. This means that all pension benefits are calculated by reference to a defined formula linked to your service and the pay that you earn.

Benefits in NAPS are calculated using different formulae for **Pensionable Service** earned pre and post 1 April 2007. We refer to all pension benefits earned in relation to service prior to 1 April 2007 as **Past Service Benefits** and all benefits earned in relation to service after 1 April 2007 as **Future Service Benefits**. You will see from the calculations below that **Past Service and Future Service Benefits** become due at different **Normal Retirement Ages** but in practice both benefits have to be drawn at the same time. Any benefit drawn earlier than the relevant **Normal Retirement Age** is reduced to take account of the earlier payment date and equally, where a benefit is drawn later than its **Normal Retirement Age** it is increased for late payment.

The standard pension benefit calculations for both **Past Service and Future Service Benefits** are detailed below and a worked example can be found on Page 8.

Post April 2007 (Future Service Benefits)

The standard pension benefit calculation was changed for the build-up of all benefits from 1 April 2007 to that shown below:

$$\frac{\text{Retiring Pay} \times \text{Pensionable Service}}{60 \text{ (build-up rate)}} = \text{Pension payable from Normal Retirement Age (65)}$$

Retiring Pay, Pensionable Service and Normal Retirement Age are all defined within 'Jargon Explained' on pages 3 and 4.

Members have the option of increasing benefits beyond the standard level and these options are explained later.

Pre April 2007 (Past Service Benefits)

Every **Member** of NAPS was sent a statement of pension benefits earned within the Scheme as at 31 March 2007. This statement detailed the pre April 2007 pension benefits known as **Past Service Benefits**. In general, the standard pension benefit calculation for pension benefits earned in relation to service up to 31 March 2007 was determined by the **Member's** occupational category (cabin crew, flight crew or general staff):

For general staff, the standard pension benefit calculation is:

$$\frac{\text{Retiring Pay}^* \times \text{Pensionable Service}^*}{56 \text{ (build-up rate)}} = \text{Pension payable from Normal Retirement Age (60)}$$

For air crew, the standard pension benefit calculation is:

$$\frac{\text{Retiring Pay}^* \times \text{Pensionable Service}^*}{52 \text{ (build-up rate)}} = \text{Pension payable from Normal Retirement Age (55)}$$

***Retiring Pay** is calculated up to the earlier of date of leaving or the **Normal Retirement Age** associated with the benefit. However, if a **Member** was over their **Past Service NRA** as at 31 March 2007 and was still paying pension contributions at that time, then the **Past Service Retiring Pay** would have been calculated as at 31 March 2007. **Pensionable Service** was established as at 31 March 2007.



How do I increase my pension?

The standard pension arrangement in NAPS is called Plan 65 (named after the arrangement's **Normal Retirement Age**). You can increase the future build up rate of your NAPS benefit by paying higher contribution rates. You have a yearly opportunity, on 1 July, to change the build-up rate of your future pension benefits from that date onwards.

Plan 65 – Increasing the build up

In Plan 65 you can choose to pay extra contributions to increase the rate that your pension builds up each year. Instead of the standard 1/60 build-up rate you can choose a build up rate of 1/56 or 1/52. The pension calculation for **Future Service Benefits** due to be paid from age 65, in respect of **Pensionable Service** after the change, would then be either:

$$\frac{\text{Future Service}^* \times \text{Retiring Pay}}{56 \text{ build-up rate}} \quad \text{OR} \quad \frac{\text{Future Service}^* \times \text{Retiring Pay}}{52 \text{ (build-up rate)}}$$

** From the date the change to your build-up rate takes effect*

The lower the build-up rate number, the higher the pension benefit, so a 1/52nd pension grows faster than a 1/56ths pension, which in turn grows faster than the standard build-up rate of 1/60ths. As you will see from the contribution table on page 9, the faster the pension build-up you want, the higher your pension contribution will be.

It is possible to change back to a slower build-up rate in the future should you wish to do so each 1 July. **Future Service Benefits** may have periods of **Pensionable Service** with different build-up rates

Planning to retire earlier than age 65?

Plan 60

If you plan to retire at or around age 60, there is another option to pay more pension contributions in order that you can build-up a pension that will be paid in full from age 60; this is called Plan 60. The standard Plan 60 formula is the same as that shown above except the date the pension becomes payable in full is age 60 instead of age 65. As in Plan 65 a reduced pension can be taken before age 60. You will need to pay extra contributions to join Plan 60.

Whilst you may choose to move from Plan 65 to Plan 60 on 1 July of any year, you **CANNOT** move back to Plan 65 from Plan 60. You need to consider when you expect to retire and the appropriate Plan for you very carefully

Plan 60 - Increasing the build-up rate

Just like in Plan 65, you can also choose to pay extra contributions to increase the rate that your pension builds up each year. Instead of the standard 1/60 build-up rate you can again choose a build-up rate of 1/56 or 1/52. Just like in Plan 65, you have a yearly opportunity, on 1 July, to increase or decrease the build-up rate of your future pension benefits from that date onwards.



Planning to retire at age 55?

If you join Plan 60 you will have a further choice to increase your contributions to allow your future pension not to be reduced for early payment if you are planning to retire at age 55. If you choose this option (known as Option 55) you are paying the extra contributions to, in effect, buy-out the reduction which is usually applied when benefits are paid early. Option 55 will operate on special discretionary terms laid down by BA. You have a yearly opportunity, on 1 July, to join Option 55, move back to Plan 60 and/or amend the build-up rate of your future pension benefits from that date onwards.

Whilst benefits under Option 55 will be payable from age 55 without being reduced, the **Normal Retirement Age** remains as age 60. If you opt to pay higher contributions to Option 55 but then continue working beyond age 55 you will have paid higher contributions for a benefit that you won't receive, so do make sure you consider this option carefully

Example:

As at 31 March 2007, our **Member** has a **Past Service Benefit** of 22 years X **Retiring Pay**, a Past Service **Normal Retirement Age** of 60 and a build-up rate of 1/56ths. On 1 April 2007 the **Member** joins Plan 65 with standard 1/60ths build up. On 1 July 2008 the **Member** joins Plan 60 and requests to have build-up rate for future service of 1/56ths.

The **Member** then retires from BA on 31 December 2009, aged 60. The **Member's** total pension is made up of 3 elements, his **Past Service Benefit** plus his Plan 65 pension plus his Plan 60 pension:

The Member's Past Service pension = $\frac{22 \text{ years } 0 \text{ months} \times \text{Retiring Pay}}{56} = \text{Past Service Benefit}$
(due at 60)

Plus

Service from 1 April 2007 – 30 June 2008 = $\frac{1 \text{ year } 3 \text{ months} \times \text{Retiring Pay}}{60} = \text{Plan 65 pension}^*$
(due at 65)

Plus

Service from 1 July 2008 – 31 December 2009 = $\frac{1 \text{ year } 6 \text{ months} \times \text{Retiring Pay}}{56} = \text{Plan 60 pension}$
(due at 60)

*As the Plan 65 pension is payable from age 65, this element of pension (only) will be reduced to take account of the Member retiring 5 years earlier than the **Normal Retirement Age**.

Whilst your pension may be made up of several elements of pension due at different dates, when you retire they must all be drawn at the same retirement date. Where benefits are drawn earlier than the **Normal Retirement Age**, that element of pension will be reduced for early payment. Equally, where payment is made later than the **Normal Retirement Age**, that element of pension will be increased for late payment



Contributions

How much will it cost me?

A Member's pension contributions are determined by the NAPS Rules. The table below shows the percentage of Pensionable Pay that you are required to contribute under the various Plan options.

	Plan 65	Plan 60
standard pension build up (1/60)	5.25%	8.5%
higher pension build up (1/56)*	8.25%	11.5%
highest pension build up (1/52)*	11.25%	14.5%
Option 55 with standard pension build up (1/60) *		17.5%
Option 55 with higher pension build up (1/56)*		20.5%
Option 55 with highest pension build up (1/52)*		23.5%

* Since all options other than the highlighted standard arrangement are at the Employer's discretion, the contribution levels quoted are correct as at March 2009 but are subject to future review and may potentially change.

Surviving Adult/Pensionable Dependant pension

The standard pension package includes a pension for your spouse or partner when you die. If you do not want this cover, you can choose to pay 1.5% less than each of the contribution rates outlined i.e. a Plan 65 member with a 1/56th build-up rate would pay 6.75%. Should you wish to opt-out of paying for this cover, or if you presently do not pay for the cover and wish to do so, you should contact **British Airways Pensions**. As a general rule, you are permitted to opt-out and then opt-in to paying for this cover once. Opting in to paying for this cover will require you to pass a medical examination.

How do I pay my pension contributions?

Prior to February 2008, pension contributions were deducted automatically from your regular pay before tax was deducted. You did not pay tax on your contributions (including any additional contributions) and you received tax relief at the highest rate appropriate to your pay. Since February 2008, most NAPS Members have participated in British Airways' salary sacrifice arrangement, called **SmartPension**. If you opted out of **SmartPension** your pension contributions will still be collected via the previous arrangement.

BA SmartPension

Prior to February 2008 pension contributions were deducted from a Member's regular pay before tax. Whilst they attracted income tax relief, Members still paid National Insurance (NI) contributions on this part of their pay. Under **SmartPension**, BA pays your pension contributions for you by reducing your basic salary by the exact amount of your pension contribution. As a result, not only do Members benefit from paying reduced tax, but both they and British Airways pay lower NI contributions. BA checks the status of every NAPS Member to ensure that only those members who will benefit from **SmartPension** are included. More information about **SmartPension** can be found on the BA Intranet.

Throughout this handbook, where a reference is made to pension contributions you pay to the Scheme, or a benefit based on the value of your contributions, this will include any amounts credited by the Employer on your behalf via **SmartPension**, unless stated otherwise

What does BA Pay?

The Scheme's Trustees, taking advice from the Actuary, determine what overall contribution is required to meet the liabilities of the Scheme. So once the Member's contributions are taken into account along with investment returns, BA is required to pay the balance, which is the majority of the cost of providing the standard pension benefit.



Putting more into my pension

You can pay Additional Voluntary Contributions (AVCs) on top of your normal Scheme pension contributions to provide extra retirement pension. AVC forms can be found and printed from the www.mybapension.com website.

- ◆ AVCs are a tax efficient form of retirement saving.
- ◆ Payments are flexible: you can pay a fixed amount every pay period, a percentage of pay or make one off payments.
- ◆ All payments must be within Scheme limits – whilst the government will allow you to pay up to 100% of your taxable pay each year, subject to a maximum of the Annual Allowance (AA) (see page 17), the Scheme Rules only allow you to pay up to a total of 30% of your gross taxable pay into your BA pension
- ◆ **British Airways Pensions** administers three AVC funds; the SGF, MPF and EBF (see below). You can choose to pay into one, two or all three of these funds.
- ◆ Currently, there are no charges to **Members** with AVC funds administered by **BAPSL**.
- ◆ The money you save plus any investment return is used to provide extra lump sum or pension benefits at retirement.

How are the AVC funds invested?

Short-dated Gilts Fund (SGF): an interest-bearing fund which pays yearly interest based on Government fixed interest securities, known as Gilts, with less than five years to run before they mature.

Mixed Portfolio Fund (MPF): a mixed fund of investments (mainly stocks and shares). You buy units in the fund and your units change in value according to the performance of the fund as a whole. Your investment in the MPF can go down as well as up.

Equity Biased Fund (EBF): interest in the EBF is calculated on a monthly basis. The interest rate consists of two parts, the Guarantee Component and the Bonus Component.

What happens to my AVCs if I leave the Scheme?

If you leave service or opt-out of NAPS, you must stop paying into your AVC account.

If you leave the company before retirement, you can leave your pension in the Scheme for payment when you retire. This is called a deferred pension. Your AVCs will also stay in the fund until your Scheme pension becomes payable. You are not allowed to draw your AVCs in advance of drawing your Scheme pension, although you can delay taking your AVCs until after you draw your Scheme pension.

Your AVC account will continue to attract investment returns and you can still switch your AVCs from one fund to another, but no further contributions can be paid into it.

At retirement the final balance of your AVC account will depend on the amount of AVCs paid and the investment returns achieved over the time your AVCs have been invested. You can normally take the final balance of your AVCs as part of your maximum tax-free lump sum when you retire. Alternatively, you can use your AVC account to buy additional pension (called an 'annuity'). If you decide to delay drawing your AVCs at your retirement, you will normally be able to take 25% of the final fund value as tax-free cash (subject to Scheme and Lifetime Allowance limits – please refer to page 13 for more information on this subject).



What happens if...

I am temporarily absent?

If you are temporarily absent with the consent of the Employer (for example because of sickness) you will remain an active member of NAPS and continue to be covered for both pension and death-in-service benefits. Your pension contributions will be deducted during any period when you are being paid. If you are not being paid, the Employer will maintain your contributions at the standard rate (but not any AVCs or any contributions you have been making for a faster pension build-up rate) and will usually recover them from you when you start being paid again.

I go on maternity or adoption leave?

While you are on unpaid maternity or adoption leave, you are still covered for death-in-service benefits, but the build-up of your **Pensionable Service** is temporarily frozen. If you return to work, you will be given the option of paying your normal pension contributions for the period of unpaid leave (in which case you will be credited with **Pensionable Service** for that period). If you do not return to work you will be entitled to benefits as if you had left **Pensionable Service** on the last day of your paid maternity or adoption leave.

What happens if I leave before retirement?

If you leave the company, you can leave your pension in the Scheme until you retire. This is called a 'deferred pension'. We work out this pension in the same way as detailed on pages 6, 7 and 8. A statement of your benefits built up whilst a **Member** of the Scheme will be provided in writing to your home address shortly after you leave the company.

Can I retire early?

You can currently choose to retire early on a reduced pension from age 55 onwards. From April 2010, the Government raised the minimum retirement age from 50 to 55.

How does my pension increase after I leave?

NAPS pensions are protected against the effects of inflation. They increase annually in line with the Pensions Increase (Review) Orders which broadly reflect rises in the Retail Prices Index (RPI) – up to a maximum of 5% a year. These increases are a right under the Rules of the Scheme and are not discretionary.

It is possible that some small Statutory benefits that might become payable from NAPS in addition to your earned benefits will increase at a different rate determined by the regulations applicable to those benefits.

Can I transfer my pension rights to another provider?

As an alternative to leaving your pension within NAPS, you can ask the Trustees to transfer the value of your NAPS rights to another pension arrangement: a **Registered Pension Scheme** in the UK or a **Qualifying Recognised Overseas Pension Scheme (QROPS)** outside of the UK. The Trustees have the right to refuse to pay a transfer value to a scheme if they are not satisfied that the new arrangement meets the current HMRC rules governing transfer payments. A transfer cannot be made after you have started to draw your pension.

Details of the Scheme's relevant transfer value basis (including the underlying assumptions) is available on request.

Please remember, when you leave employment with British Airways, it is your responsibility to keep your contact details up-to-date, whether you have started to draw your pension or not. Please write directly to British Airways Pensions at Whitelocke House as all changes will need to be notified in writing and must bear your signature



At retirement, how is my pension paid?

NAPS Pensions are paid monthly, in arrears, into your bank, building society or Giro account in the UK. The first payment is made at the end of the month after the month in which you retire. For example, if you retire on 11 August your first pension payment will be on 30 September (covering the payment due for both part of August and the whole of September).

If you live abroad, your pension can be paid to an overseas account. Payment is dispatched in sterling and converted by the Scheme's bankers into the local currency free of charges before onward transmission to your overseas account. Alternatively, you can of course, continue to have your pension paid to a UK account.

British Airways Pensions is required to deduct UK tax from your pension under the Pay As You Earn (PAYE) system unless you are resident abroad and we have been notified by the tax authorities that you are exempt from UK tax.

You will receive a pension pay slip when your first pension payment is made. Further pay slips will only be sent to you when the amount of your pension (after the deduction of income tax, if applicable) changes by more than 99 pence.

It is important that all address and bank changes are notified to British Airways Pensions as soon as they occur. As a general rule instructions that are received by the 10th of a month can be applied to that month's payment. Later notifications will be applied against the following month's pension



Retirement

NAPS is registered with Her Majesty's Revenue & Customs (HMRC), which means that both the Scheme and its members receive valuable tax relief on pension contributions and benefits. Due to these tax advantages, HMRC has set a 'Lifetime Allowance' (LTA) for all members of UK registered pension schemes. The LTA covers the 'value' of the total pension benefits you have earned from all sources (apart from State and Widow's Pensions). The 'value' of your British Airways pension, to be assessed against the LTA when you retire, is worked out as 20 times your annual rate of pension. When the Lifetime Allowance was first introduced in April 2006, it was set at £1.5m. This increased from 6 April 2009 to £1.75m and to £1.8m from 6 April 2010. The Government has advised that the LTA will not increase further until after 2015. A Lifetime Allowance Charge applies to the value of any pension benefits that exceed the LTA. This is briefly explained on page 17.

Retiring early

If you retire before your current NRA, we use the basic pension calculation outlined on pages 6, 7 and 8, then reduce the pension by an amount determined by the Actuary in recognition that your pension is being drawn in advance of its planned payment date (your NRA). The earliest age at which you may draw your pension is currently age 55.

Retiring after Normal Retirement Age (NRA)

If you continue working beyond your current NRA you may continue to pay pension contributions. In return you will receive a pension worked out using the basic pension calculation detailed on pages 6, 7 and 8, including any extra service for which you have paid pension contributions beyond your NRA. If you have paid higher contributions within Plan 60 for Option 55, and you work beyond age 55, you will lose the benefit of the increased contributions you have paid. Similarly, if you are a Plan 60 member and you work beyond age 60 you may lose the benefit of the extra contributions you have paid. Members of both Plan 60 and Plan 65 can choose to stop paying pension contributions at any time from NRA. Where appropriate, the pension will be established at the point at which your pension contributions stop and your pension will then be increased in accordance with advice from the Actuary in recognition that it is being paid later than your NRA. Any **Past Service Benefits** will automatically be increased if you continue in employment after the relevant NRA in respect of your **Past Service Benefits** and do not draw your pension.

The actual reduction or increase in pension that will be provided in respect of early or late retirement i.e. pension drawn before or after the relevant NRA will be determined by the Scheme's Actuary at the payment date.

Can I take a lump sum at retirement?

Members can normally take a lump sum of up to 25% of the value of their benefits at the point at which they are drawn – subject to a maximum of 25% of the standard Lifetime Allowance (LTA) – or 25% of their remaining LTA if the Member is already drawing other pension benefits. Lump sum payments within this allowance are tax-free. Members who have an AVC account with BA Pensions can take their AVCs as part of their lump sum. Currently, in most cases, the whole AVC balance can be taken as a lump sum (up to the limit detailed above). However, this may be subject to review at some point in the future. Any change would only affect any future AVCs paid.

At retirement, **British Airways Pensions** will provide you with an illustration of the maximum lump sum available to you and the residual pension that you will be left with. You can choose to take as much or as little of the available lump sum as you want.

Please remember that any lump sum must be taken at the same time that you draw your pension benefits. Taking a lump sum at retirement has no effect on any survivor's pension (spouse or dependant) or the dependent child allowances, which are payable upon your death.

Dependant's benefits are outlined on pages 15 and 16.



Ill health retirement

Awarding an ill health pension

If you are retired before NRA by your **Employer** on the grounds of Medical Incapacity your **Employer** may authorise the Trustees to pay you an immediate ill health pension, whatever your age. Medical incapacity means incapacity –

- From which a **Member** is unlikely to recover for the foreseeable future;
- Which prevents the **Member** from carrying out his/her normal duties even after reasonable adjustment; and
- Which prevents the **Member** from carrying out appropriate alternative employment where this is offered by the **Employer**.

For pilots only where an appropriate licence is no longer held due to medical reasons and in the opinion of the **Employer's** medical adviser the pilot will not recover for the foreseeable future, the **Employer** may authorise an ill health pension.

If you have 5 or more years' **Pensionable Service**, in calculating your ill health pension we will use not only service built up to the point of retirement but will also add half the **Pensionable Service** you would have completed to your current NRA of the Plan of which you are currently a **Member** (i.e. age 60 in Plan 60 and age 65 in Plan 65). The additional service will be added to your pension already built up, using the standard pension build-up rate of 1/60th even if you have been paying higher contributions to increase your build-up as per the example on page 8.

If you are part-time at the point of retiring on grounds of ill health, the half potential service will be at the part-time rate. For example, a 55 year old in Plan 65 would have a potential service of 10 years to NRA and thus half service of 5 years. If that same member was on a 50% contract, the half potential would also be at the 50% rate i.e. two and a half years. **Retiring Pay** is always calculated using the full-time equivalent of pensionable pay.

The Trustees strongly recommend that members take time to read and understand the provisions of the ill health pension rule, before retiring on ill health grounds. A copy of the NAPS Rules is available on the Scheme's website or upon request from Whitelocke House.

Reviewing ill health pensions

The granting of an ill health pension in NAPS is solely within BA's power. Once a **Member** commences drawing an ill health pension it is the NAPS Trustees' responsibility to periodically review the continued eligibility of the pensioner to receive an ill health pension over the period from retirement until **Normal Retirement Age**. Where appropriate, suggested review dates are passed to the Trustees by British Airways Health Services. If, during a periodic review, the Trustees are advised by their medical advisers that the pensioner is capable of working but he/she is not doing so, or is capable of working more than is being undertaken, it is possible that the ill health pension will be revoked, reduced or suspended until **Normal Retirement Age**. Where an ill health pensioner does return to work, the Trustees also need to ensure that the total income – ill health pension plus any earnings – does not exceed the earnings received immediately prior to leaving the company on ill health grounds.

At **Normal Retirement Age**, where suspension of the ill health pension has previously occurred, a non ill health pension will commence, adjusted to take account of any cash taken at the original ill health retirement date, and no further reviews will be due.



What happens when I die?

Death whilst in Pensionable Service

If you die whilst still in **Pensionable Service**, the following benefits apply:

- ◆ A lump sum death benefit equal to three times your annual pensionable elements of pay at the date of death (before the NAPS1 or NAPS2 reduction to calculate pensionable pay for calculating your pension). In addition, the value of your AVC account will be paid as a lump sum.
- ◆ An adult survivor's pension (if you have paid the higher contributions for this benefit). If there is no adult survivor's pension payable, your own contributions to the Scheme, plus interest at 3.5% a year up to date of death will be paid as a lump sum in addition to the lump sum above.
- ◆ Dependent Child Allowances (where applicable).

Notice of Wish Form

Any lump sum death benefits are payable to beneficiaries selected by the Trustees and as a consequence this lump sum is not liable to Inheritance Tax. **Members** should complete a form to let the Trustees know how they wish their lump sum to be distributed – the form can be obtained from the forms section of the Scheme's website. Whilst not legally binding on the Trustees, the Notice of Wish gives the Trustees guidance as to how you would like the lump sum to be distributed.

You should keep your Notice of Wish regularly updated and especially if your personal circumstances change. Go to www.mybapension.com and click on 'Forms' and print off a Notice of Wish form, complete it, sign it and send it to British Airways Pensions

Death after leaving Pensionable Service

If you die after leaving **Pensionable Service**, then the following benefits apply:

- ◆ An Adult Survivor's Pension (if you have paid the higher contributions for this benefit)
- ◆ Dependent Children's Allowances (where applicable)

There is no 'three times salary' lump sum payable. However, if there is no survivor's pension there may be a lump sum payable in respect of the difference between the pension and lump sum benefits you have received, if any, and your Scheme contributions plus interest.

How much will my dependants receive?

- | | |
|--------------------------|---|
| ◆ Adult Survivor | 2/3rds of your pension* |
| ◆ One child | 1/6 th of your pension* |
| ◆ Two children | 1/6 th of your pension* each |
| ◆ More than two children | Generally a total of 1/3 rd of your pension* divided between each eligible child |

*This is the amount of Member pension earned whilst paying the higher contributions towards a pension for an adult survivor.



When calculating the pension benefits payable to your dependants when you die, **British Airways Pensions** will take your basic pension calculation ignoring any reduction applied to your pension if you decided to draw it earlier than **Normal Retirement Age** and ignoring any of your own pension exchanged for a tax-free lump sum at retirement. If you die whilst still in **Pensionable Service**, **British Airways Pensions** will include half of your potential service from date of death to your current **Normal Retirement Age** in the basic pension calculation used to work out the adult survivor's pension (if you have paid the relevant pension contributions towards an Adult Survivor's pension) and dependent child's pensions.

If your **Adult Survivor** is more than ten years younger than you, the survivor's pension is reduced by 1.25% for each complete year by which the age difference exceeds ten years (e.g. 13 complete years' difference = reduction of 3.75%).

Please remember, if you elect not to pay towards an adult survivor's pension as detailed on page 9, and die leaving an **Adult Survivor** or **Pensionable Dependant**, they will not receive benefit from this important pension cover.

Who qualifies?

Adult Survivor's Pension

If you are legally married or in a Civil Partnership at the date of your death a pension will automatically be paid to your legal spouse/Civil Partner. Where you do not have a legal spouse or Civil Partner at date of death, the Trustees can consider paying the pension to another adult survivor, known as a **Pensionable Dependant**. This is someone who, in the opinion of the Trustees, is either financially dependent or financially inter-dependent with you to a substantial extent at the date of your death, such as a common-law spouse or someone who is financially dependent on you for the everyday necessities of life.

If you are not legally married or in a Civil Partnership but think you may have a **Pensionable Dependant**, please complete a Surviving Dependant's Pension Registration form, which can be located under the 'Forms' section of the Scheme's website. Whilst not legally binding on the Trustees, the form does provide clear information to the Trustees. Please ensure you keep the information on this form up-to-date.

Dependent Child Allowances

These can be paid to children up to the age of 16, or up to the age of 23 if in full-time education/vocational training or if seriously incapacitated and unable to earn a living. Eligible children are your own children, legally adopted children, step-children and any child to whom, in the opinion of the Trustees, you stand in 'loco parentis' immediately prior to death.

Additional Optional Dependant's pension

At any time before your pension starts you can decide to arrange for a pension to become payable to a named dependant on your death in retirement. This is achieved by giving up part of your own pension permanently. Before you can take up this option you will need to pass a medical examination.

Full details of this option can be obtained from **British Airways Pensions**.



Keeping an eye on your pension benefits

Most active Members of NAPS receive an annual statement in the month following their birthday showing the benefits they have built up. Whether you receive one of these statements or not, you can request a Benefit Statement at any time by contacting British Airways Pensions. Members with an AVC account also receive a separate statement each year showing the value of their investments.

Detailed explanations of your benefits can be found on the Scheme's website. The website includes an interactive section where most active Members of NAPS can access the pension modeller. This helps you to understand how much pension you will get from your Scheme and how you could benefit from paying additional contributions.

If you are considering retiring soon, you can obtain a quotation of your pension benefits, including details of the lump sum you could take from the Scheme by contacting British Airways Pensions.

Lifetime Allowance

The UK tax rules do not restrict the amount of pension you can have. However, once the value of your pension benefits goes over a set limit the amount of your benefits over that limit will have an extra tax charge. The limit is called the Lifetime Allowance (LTA). The combined 'value' of your pension and lump sum entitlements from all UK Registered pension arrangements you belong to is compared against the LTA applicable in the year of your retirement. The LTA has been set as follows:

Tax year	Lifetime Allowance
2009/10	£1.75m
2010/11	£1.80m (remaining at £1.80m until 2015/16)

For most people the value of their total pension benefits will fit within their LTA. If your BA pension (or the combined value of your BA pension and any pensions that are already being paid to you from other UK Registered schemes) exceeds your available LTA, then the excess benefits will incur a Lifetime Allowance Charge. The value of your NAPS pension is generally worked out as 20 times your annual rate of pension plus the cash value of any AVCs held.

For any pension benefits earned above the LTA, the tax charge would be either:

- ◆ 25% of the value of your excess yearly pension when it starts. (You will also pay income tax on the pension)
- OR
- ◆ 55% of any excess lump sum taken (this is similar in value to 25% tax charge on top of 40% income tax)

It is your responsibility to check the total value of your pension benefits from all UK Registered pension schemes (excluding any State, widow/er's or dependant's pensions you receive) against the LTA. We will automatically confirm the amount of your LTA that has been used up by your NAPS pension when you retire.

Annual Allowance

There is no limit on the contributions that can be paid to a pension scheme but there is a limit on the amount of tax privilege that is available on the amount paid or pension built up in each tax year and this is known as the Annual Allowance (AA). The AA is £245,000 in 2009/10, rising to £255,000 from April 2010. The Government will keep the AA under review for future years. For NAPS, the AA covers the total increase in the value of your earned NAPS pension each year plus the value of any AVCs paid during the year.

Under NAPS Rules members can pay pension contributions (including AVCs) of up to 30% of gross pay



Legal

The Scheme

NAPS (final salary section) is a contracted-out final salary-related occupational pension scheme sometimes referred to as a defined benefit scheme.

Trustees – who are they and what are their responsibilities?

The Scheme has 12 Trustees: six appointed by British Airways plc, five by NAPS active Members and one by NAPS pensioners. The Trustees are responsible for the administration of NAPS which is carried out by British Airways Pension Services Limited (BAPSL) in accordance with the Scheme's Trust Deed & Rules and current legislation. The investment of the Scheme's assets is undertaken by British Airways Pension Investment Management Limited (BAPIML). The Trustees also look after the assets which are for the sole benefit of Members and their dependants. The assets are held completely separately from the assets of British Airways plc or any other company participating in NAPS. Details of who the current Trustees are and how they operate are held on the Scheme's website.

Scheme's governing documents

The Trust Deed & Rules form the governing documents of **NAPS**. They describe the constitution and give full details of the benefits. **NAPS** is a **Registered Pension Scheme** under Chapter 2 of Part 4 of the Finance Act 2004 with a pension scheme reference number (PSTN) of 00306884RH.

This handbook does not confer any rights to membership or benefits. Those rights are conferred solely by the Trust Deed & Rules. If there is any conflict between this handbook and the Trust Deed & Rules, it is the Trust Deed & Rules which will override.

The Scheme's formal documents are also available on the Scheme's website. These include the:

- ◆ Trust Deed and Rules;
- ◆ Trustees' Annual Report and Accounts; and
- ◆ Trustees' Statement of Investment Principles.

Data Protection

The Management Trustees of NAPS are registered as a data controller on the public register that is maintained by the Information Commissioner's Office (ICO). Each register entry includes a general description of the processing of personal data. The reason for holding your personal data is to calculate and pay your pension benefits and administer the Scheme as a whole. The Trustees and BAPSL are required to keep your data secure and therefore your data will not be passed to any outside concern unless it is for one of the purposes for which the Scheme is registered or it is required by law.



Corporate Governance

British Airways Pensions Investment Management Ltd (BAPIML) has been instructed by the Management Trustees to exercise voting and other rights attaching to the Scheme's investments at meetings of UK and overseas listed companies wherever practicable. Where relevant rights are exercised, this will be based on the framework formulated by the National Association of Pension Funds.

The Management Trustees have also agreed to the incorporation of the principles set out in the Institutional Shareholders' Committee Statement of Principles on the responsibilities of Institutional Shareholders and Agents into their Corporate Governance arrangements.

The primary objective of these Corporate Governance arrangements is to protect the economic interests of the Scheme. Details of the exercise of voting rights are reported to the Management Trustees at least quarterly and a summary of this information along with data summarising the Scheme's larger investments are available on the member website each year, together with a list of the Scheme's 100 largest holdings.

Socially Responsible Investment

The Management Trustees' overriding objective is not to cause BAPIML to take any action (whether by purchasing, holding or selling any investment) which could be reasonably expected to diminish the financial returns on the Scheme's investments as a whole.

Subject to this objective, the Management Trustees require BAPIML to incorporate as part of its investment process a systematic approach to the maintenance of ongoing dialogue with the management of those companies in which it retains, or proposes to make, significant equity investments and, where appropriate, other forms of investment. The specific purpose of such dialogue - called 'responsibility discussion overlay', or RDO - is to establish a framework within which BAPIML may, on behalf of the Management Trustees, raise issues concerning the social, environmental or ethical aspects of the operations of the company being invested in. BAPIML has been requested to report to the Management Trustees once in each calendar year on its activities under RDO and the Management Trustees use this report as a focus for issuing further guidance to BAPIML (in consultation with British Airways plc where appropriate) if required.

Resolving disputes

If you have a problem regarding your membership of the Scheme, please contact the **British Airways Pensions** team at Whitelocke House in the first instance. If they are not able to resolve the issue, there is a formal dispute procedure in place – The Internal Disputes Resolution Procedure (IDRP). A copy of the procedure, which sets out how to make a formal complaint, can be requested from **British Airways Pensions**. This information is also available on our website [click on 'Our service standards']. The Pensions Advisory Service (TPAS) can help assist members and beneficiaries of the Scheme with any query. Please see the 'Contacts' section for TPAS contact details.



Keeping in touch

Whilst you are an **Active Member** of the Scheme, your contact details contained on the company's records will automatically be transferred to your pension Scheme record. Each year, the majority of Members will automatically be sent a benefit statement which will give an update of how your pension is building up and what you may expect at retirement. Once you leave **Pensionable Service**, you will need to provide written confirmation to British Airways Pensions of any change in contact or personal details.

Each Scheme year, the Trustees are required to prepare an annual report in relation to the Scheme. Additionally, the Trustees will periodically send you a communication entitled *In Focus* which provides a summary of the Scheme's annual funding statement, report and accounts, points of interest and any changes to the Scheme or legislation that might affect you.

Copies of the annual report and *In Focus* magazines are available on the Scheme's website.

If you have any questions about the New Airways Pension Scheme, please contact the Scheme's administrators:

British Airways Pension Services Limited
Whitelocke House
2-4 Lampton Road
Hounslow
Middlesex
TW3 1HU

E-mail: enquires@bapensions.co.uk

Telephone: 020 8538 2100

Fax: 020 8538 2190

Please remember, when you leave employment with British Airways, it is your responsibility to keep your contact details up-to-date, whether you have started to draw your pension or not. Please write directly to British Airways Pensions at Whitelocke House as all changes will need to be notified in writing and must bear your signature



Useful Addresses

Independent financial advice

If you need help in making financial decisions, you should contact an independent financial adviser (IFA) to seek their advice. You will find some names and numbers in the phone book. Alternatively, visit the IFA website at www.unbiased.co.uk

Please bear in mind that neither:

- ◆ the **Employer** or
- ◆ the **Trustees** or
- ◆ **British Airways Pensions** or
- ◆ any of their respective employees

is authorised to give you advice about your pension options.

TPAS (The Pensions Advisory Service)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pension query they may have, or difficulty which they have failed to resolve with the Trustees or British Airways Pensions.

TPAS provides a free and confidential service through a nationwide network of volunteer advisers. You can contact your local TPAS volunteer through your nearest Citizens' Advice Bureau or through the TPAS central office at:

11 Belgrave Road
London
SW1V 1RB

Phone: 0845 601 2923
Fax: 020 7592 7000
Email: enquiries@pensionsadvisoryservice.org.uk
Website: www.tpas.org.uk

The Pensions Ombudsman

The Pensions Ombudsman is able to investigate or determine any complaints of mal-administration or dispute of fact or law in relation to any occupational pension scheme including NAPS. He can be contacted at the same address as TPAS.

Phone: 020 7834 9144
Fax: 020 7821 0065
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk



The Pensions Regulator

The Pensions Regulator is the regulator for occupational pension schemes in the United Kingdom. It makes sure that the people who run occupational pension schemes follow a wide range of rules. It will act if and when irregularities are brought to its attention. It has the power to impose penalties. The Pension Regulator may be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Phone: 0870 6063636
Fax: 0870 2411144
Email: customersupport@thepensionsregulator.gov.uk
Website: www.thepensionsregulator.gov.uk

Pension Tracing Service

If you think you may have an old pension, but are not sure of the details, the Pension Tracing Service can usually help by tracing it for you. The Pension Tracing Service is part of the Department for Work and Pensions and has access to a database of over 200,000 occupational and personal pension schemes and can be used, free of charge, to search for a scheme. You can contact the Pension Tracing Service at:



The Pension Service
Pension Tracing Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA
Phone: 0845 6002 537
Textphone: 0845 3000 169
Website: www.direct.gov.uk (click on 'Pensions & Retirement Planning')