



# Airways Pension Scheme

## Summary funding statement

Updating you on the funding position as at 31 March 2024



# Glossary

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

<b>Additional Voluntary Contributions (AVCs)</b>	AVCs are extra payments you can choose to make into your pension on top of your regular contributions. They help boost your retirement savings and can be used to provide additional benefits.
<b>Agreed valuation basis (AVB)</b>	The AVB is an agreed method of using assumptions to calculate the Scheme's technical provisions. We agreed the assumptions with BA as part of the settlement agreement of 8 April 2019, but have allowed for the effect of RPI reform. The AVB assumes no future discretionary increases but includes those already granted.
<b>Agreed valuation basis plus proposed pattern (AVB + PP)</b>	The AVB + PP is another method of using assumptions to calculate the Scheme's liabilities. The AVB + PP is based on the AVB but also assumes that future discretionary increases are granted in line with the proposed pattern of discretionary increases set out in the settlement agreement of 8 April 2019.
<b>Assets</b>	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.
<b>Buy-in</b>	An insurance policy that covers a proportion of a pension scheme's liabilities and is held as an asset of the pension scheme. The scheme pays a premium to an insurance company in return for the policy, and the policy pays an income that is related to the liabilities insured. This significantly reduces the risk that a scheme's assets won't be enough to meet future liabilities. We (the Trustee) and BA have ultimate responsibility for making sure the Scheme can meet members' benefits.
<b>Buy-out</b>	An insurance policy which replaces a pension scheme's obligations to pay members' pensions with individual annuity policies between the insurer and each member. The annuity policies reflect the benefits that would be provided under the pension scheme.
<b>Deficit</b>	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.
<b>Funding level</b>	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.
<b>Liabilities</b>	The value placed on expected future benefit payments and expenses, calculated using actuarial methods and assumptions.
<b>Liability-matching investments</b>	These are assets which have similar characteristics to a pension scheme's liabilities, for example they produce income that broadly matches the scheme's expected benefit payments.

<b>Longevity swap</b>	A longevity swap is an insurance policy that ensures the Scheme receives additional income if it needs to make pension payments for longer than expected. This helps the Scheme meet its ongoing commitments and provides financial stability and reassurance about its ability to continue supporting pension payments in the future.
<b>Pensions Increase (Review) Orders (PIRO)</b>	Most APS pensions increase with the Government's yearly Pensions Increase (Review) Orders (PIRO). The orders broadly reflect the increase in the Consumer Price Index (CPI), but the Secretary of State decides how the orders are measured and this may change from time to time.
<b>Responsible investment</b>	An investment strategy and practice which considers both financial returns and environmental, social and governance (ESG) factors.
<b>RPI reform</b>	In November 2020, the UK Government announced that it intended to amend the Retail Price Index (RPI) measure of inflation to align it with the Consumer Price Index, including owner occupiers' housing costs (CPIH). This change is expected to take place from 2030.
<b>Scheme Actuary</b>	A professional adviser who advises us on the Scheme's ability to meet its long-term and short-term liabilities. The actuary calculates what needs to be paid into the Scheme by BA and current BA employees who are in the Scheme.
<b>Solvency position</b>	The Scheme 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.
<b>Statement of investment principles (SIP)</b>	A document which sets out the investment principles that govern decisions about a pension scheme's investments. We must prepare the SIP under the Pensions Act 1995. A copy of the SIP is available on the ' <b>Scheme documents</b> ' page of our website.
<b>Surplus</b>	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.
<b>Taskforce on Climate-Related Financial Disclosure (TCFD)</b>	A set of guidelines that help pension schemes explain how climate change could affect their investments. By following TCFD, the Scheme can show members how it is identifying and managing climate-related risks.
<b>Technical provisions</b>	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 Airways Pension Scheme (referred to in this document as 'the Scheme'), we are responsible for ensuring there is enough money in the Scheme to pay your benefits. We carry out a full financial health check, known as a valuation, at least every three years and provide annual updates in between. This summary funding statement provides an update on the Scheme's financial position following the 31 March 2024 valuation.

## In the year to 31 March 2024

### Funding position

The 31 March 2024 actuarial valuation showed that the Scheme had a funding surplus of £153 million and a funding level of 103%. This means the Scheme had enough assets to meet the estimated cost of paying all member benefits, based on a cautious set of assumptions.

Between 31 March 2023 and 31 March 2024, the Scheme's funding level reduced from 104.3% to 103.0%, and the surplus fell from £239 million to £153 million. This reduction was mainly due to the cost of the 2024 discretionary increase awarded to pensioners.

As the Scheme is in surplus, British Airways plc ('BA') is not required to make any deficit reduction contributions, and no Recovery Plan is needed. However, under the terms of the Settlement Agreement, BA has agreed to make a contingent payment of up to £40 million available in 2027, if needed to support the proposed package of discretionary increases.

The table below shows how the funding position has developed over the last three years.

	31 March 2024 (£m)	31 March 2023 (£m)	31 March 2022 (£m)
<b>Liabilities</b>	(5,087)	(5,546)	(6,961)
<b>Assets</b>	5,240	5,785	7,297
<b>Surplus</b>	153	239	336
<b>Funding level</b>	103.0%	104.3%	104.8%



## Scheme assets and payments

Over the year to 31 March 2024, the Scheme's assets reduced from £5,785 million to £5,240 million. During this period:

- £387.2 million was paid out in member benefits, including £1.9 million in transfer values.
- BA contributed £0.9 million into the Scheme for benefits being accrued by active members.
- Active members paid in £0.3 million in additional voluntary contributions (AVCs), on top of their regular contributions.

Investment markets between March 2023 and March 2024 were impacted by ongoing political uncertainty and rising UK interest rates. These factors influenced many pension schemes. However, as the Scheme holds insurance contracts and other liability-matching assets which have similar characteristics to the Scheme's liabilities, these external factors had a limited effect on its funding position.

You can find more details about the Scheme's assets in our **2024 annual report and financial statements**, which is available on the Scheme documents page of our website.

## How the funding position is worked out

To assess the Scheme's funding position, we compare two key figures:

- The value of the Scheme's assets – This includes all contributions made by BA and Scheme members up to the valuation date, plus investment returns, less any benefits paid to members.
- The value of the Scheme's liabilities – This is the estimated total cost of all future pension payments promised to members under a specific set of assumptions.

We then compare the assets and liabilities to determine the funding position under various scenarios as outlined below, including those required by the Pensions Act 2004.

## Technical Provisions

The funding position shown earlier in this document is based on the Technical Provisions. It is calculated using a set of assumptions known as the agreed valuation basis (AVB) and provides an estimate of the Scheme's liabilities, assuming it will continue into the future and that BA will continue to operate and support the Scheme. It allows for discretionary increases already granted, but does not include any allowance for future discretionary increases.

## AVB + Proposed Pattern of discretionary increases (AVB + PP)

We also assess the funding position assuming future discretionary increases are granted in line with the proposed pattern set out in the Settlement Agreement - we refer to this as the AVB plus Proposed Pattern ('AVB + PP'). Using the AVB + PP assumptions, the funding level as at 31 March 2024 was 99.7%, with a deficit of £18 million. This compares with a funding level of 99.4% and a deficit of £35 million as at 31 March 2023.

## Solvency

The Scheme Actuary is also required to provide an estimate of the funding position if the Scheme had been wound up on the valuation date. This is known as the solvency position, and it shows whether the Scheme would have enough money to buy insurance policies to cover all the benefits promised to members. As at 31 March 2024, the value of the Scheme's assets was enough to buy an insurance policy which would cover 94.5% of members' benefits. This estimate showed that BA would have had to make an extra final contribution of about £303 million to make sure that an insurance company could pay all members' pensions in full.

It is important to note that there are no plans to wind up the Scheme. The solvency position is assessed purely for information and to provide an understanding of the Scheme's financial strength. The solvency shortfall does not affect the pensions being paid out of the Scheme - we have always paid members their full pensions and will continue to do so.

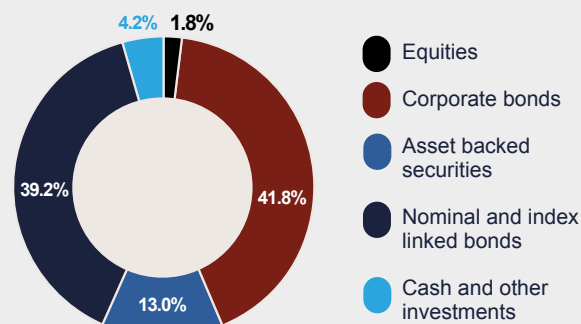
## The funding and investment strategy

In December 2024, the Scheme entered into a longevity swap insurance transaction valued at approximately £340m. The insurance policy forms part of the Scheme's investment portfolio and will provide additional income to the Scheme if pensions need to be paid for longer than expected. This improves the long-term financial stability of the Scheme and supports its ongoing risk management strategy.

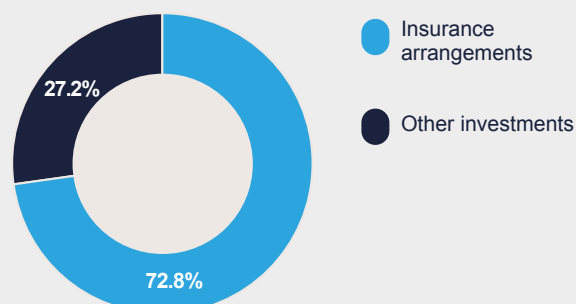
A substantial proportion of the Scheme's liabilities are now covered by different insurance contracts, including a buy-in policy and longevity swaps. The remaining uninsured portion of the Scheme's assets is primarily invested in liability-matching assets such as cash and bonds.

The Trustee is responsible for monitoring the Scheme's investments and reviewing the investment strategy, with the aim of balancing risk and return. For more details on the investment strategy and the Scheme's approach to responsible investment, you can refer to the Statement of Investment Principles, which is available on the '**Scheme documents**' page of our website.

How the Scheme's assets (not including insurance arrangements) were invested as at 31 March 2024



How the Scheme's assets were split between insurance arrangements and other investments as at 31 March 2024



## 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 funding update as at 31 March 2023. 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 AVB liabilities 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](http://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.ppf.co.uk](http://www.ppf.co.uk).





## GMP equalisation

### Background

Guaranteed Minimum Pension (GMP) equalisation ensures that men and women with the same work histories get the same pension benefits from the Scheme, addressing past inequalities in pension rules. Under UK law, for pensions earned from 17 May 1990, pension schemes are required to provide equal benefits and retirement ages for both men and women.

The overall pension benefit payable from the Scheme is equalised - the pension for both men and women is payable from the same age and calculated using the same method. However, like most UK pension schemes, pensions built up between April 1978 and April 1997 include a GMP. The GMP forms part of, and is included within, the overall APS pension after a member reaches "GMP age". Due to historical differences in state pension ages, men and women accrued GMPs differently, notably GMP age is 65 for men and 60 for women. As a result, men and women with identical work histories could end up with different GMP amounts, which created inequality. The Scheme has undertaken a project for current pensioners and dependants to resolve this inequality.

### Calculation approach

For each pension in payment, we have calculated how much "90-97" GMP each member would have earned if they were the opposite gender.

- If this results in a higher pension amount, we will pay this higher amount going forward. Where applicable, we will also make a one-off back payment (with interest) to cover any additional pension that should have been paid in the past.
- Alternatively, if the opposite-gender calculation results in a lower pension, there is no reduction to the pension.

### The impact on you

We have contacted all members directly if their pension in payment is affected by GMP equalisation and due an increase. The increased pension and back payments were paid at the end of June 2025.

If you have not heard from us, your pension in payment is not due an increase as a result of GMP equalisation.

If you haven't started drawing your pension, we will calculate what your "90-97" pension would be as the opposite gender and allow for the higher of the two when paying your pension.

More information, including answers to frequently asked questions, is available in a **news article** on the member website.

## Climate-related reporting

Each year, the Scheme must prepare a report in line with the recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD). The report is available in the '**Responsible Investment**' section on our website, or you can contact us for a hard copy.

## Important to know

### Transfers

If you are thinking about transferring your savings out of the Scheme, we recommend you get financial advice first. There is an increased risk of pensions scams, especially if someone approaches you with pensions advice you haven't asked for. 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 (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 2024 valuation report, 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 as outlined below. Please remember to include your pension reference number or British Airways staff number.

- Send us a message through our website at <https://www.mybapension.com/aps/contacts/new>.
- Call us on **020 8538 2100** (Monday to Friday, 9am to 1pm).
- Write to us at: **British Airways Pensions, PO Box 2074, Liverpool L69 2YL.**

