



In Focus

For pensioner members of the Airways Pension Scheme (APS) ("the Scheme")
March 2018

Inside this issue:

- | | |
|----------------------------|-------------------|
| 2 Welcome | 11 Scheme updates |
| 3 Scheme funding valuation | 14 Need to know |
| 8 Who manages APS? | and more... |



Welcome

Welcome to the In Focus newsletter for 2018. In this edition, we look at the Scheme's latest funding position, the current situation on discretionary increases, new data protection laws and lots more.

As always, we hope you find the information useful for keeping you up to date with the Scheme and encourage you to let us know if there's anything you'd like us to include in future editions.

How we use your data to manage APS

You may be aware that new data protection laws will come into effect in May 2018. The regulations encourage greater transparency as to how your data is held and used. Your Trustee has always been committed to the protection of members' data. We only use your data to run APS properly and to ensure we can pay your pension. We are currently assessing our practices against the new requirements to update them by the effective date.



Data privacy statement enclosed

What action do I need to take?

We've enclosed our updated data privacy statement, which explains how we manage the personal information we hold about you. Please take time to read this so that you understand the types of personal information we hold about you, how we receive it, what we use it for and who we share it with.

Scheme funding valuation

A detailed financial health check of the Scheme, known as a valuation, is carried out every three years by the Scheme's Actuary. The most recent full valuation was carried out as at 31 March 2012, at which time the funding level was 91.5% and the funding shortfall was £680 million.

It hasn't been possible to complete the 31 March 2015 valuation due to the ongoing discretionary increases litigation and the legal requirement to reach formal agreement with BA on certain aspects of the valuation. The Pensions Regulator is aware of this and has confirmed that it will take no action at the current time, but it expects the Trustee and BA to progress the 2015 valuation once the result of BA's appeal in the discretionary increases litigation is known.

Until the 2015 valuation can be agreed, BA must continue to contribute to the Scheme at the level agreed in the 2012 valuation. The Scheme Actuary has assessed the current contribution levels and confirmed that they're sufficient to improve the Scheme's financial position until the 2015 valuation is concluded. In the year to 31 March 2017, BA paid £91.7 million into APS (including employee salary sacrifice contributions). This, together with strong returns on the Scheme's investments, increased the Scheme's assets (the investments the Scheme holds) from around £7 billion at 31 March 2016 to just over £8 billion at 31 March 2017. Lower interest rates

have increased the Scheme's liabilities (pension benefits due to be paid now and in the future) but overall the funding level of the Scheme has improved.

Reducing risk

The improved funding level has enabled the Trustee to continue its programme of reducing the Scheme's exposure to investment risk since 31 March 2017.

In both April 2017 and November 2017, we reduced the Scheme's asset holdings with the potential for higher growth and moved the proceeds into less volatile assets. By November 2017, 88% of the Scheme's investments were held in low-risk assets such as bonds. By 2013 we had insured £2.6 billion of the Scheme's liabilities against the risk of members living longer and lower prices in 2017 have allowed us to insure another £1.6 billion. You can read more about our investments on page 6.

This de-risking reflects the terms of the APS Journey Plan, which makes sure the Trustee manages risk by keeping a close eye on the funding level and market conditions. You can read more on this in our December 2017 quarterly newsletter, which is available on the 'News' page of our website at www.mybapension.com/aps/news/trustee-quarterly-newsletters

More on the Scheme's funding

In the years between formal valuations, the Scheme Actuary provides an update which shows how the funding position has changed since the last valuation date. As mentioned on page 3, the March 2015 valuation has not been completed but the Scheme Actuary has confirmed that, using consistent assumptions, the funding position has continued to improve since 2014.

Here's a reminder of the funding position up to 31 March 2014.

Funding shortfall

31 March 2012	£680 million	Funding level 91.5%
31 March 2013	£547 million	Funding level 93.5%
31 March 2014	£409 million	Funding level 94.7%



Jargon Buster

Funding level

This shows what percentage of liabilities (pensions to be paid now and in the future) are expected to be covered by APS' assets. The higher the percentage, the more secure the pensions that members have already built up are.

How is the deficit being addressed?

The Scheme has a Recovery Plan in place to address the deficit. This runs to 2023 and includes measures such as BA paying additional contributions to the Scheme on top of its normal contributions, including a contingent payment of £250 million in January 2019 and a 'cash sweep' arrangement which brings further payments to the Scheme if BA's cash balance at 31 March each year exceeds a certain level. In the year to 31 March 2017, BA paid deficit contributions of £55 million, an additional £31.4 million under the 'cash-sweep' arrangement, as well as an average of 34.7% of members' pay to meet the cost of future pension build-up.

Other measures

As part of every formal valuation, the Actuary must provide an estimate of whether there is enough money within the Scheme to buy out benefits built up to date with an insurance company. This is known as the solvency level.




This doesn't mean that there are plans to wind up the Scheme. It's simply a piece of financial information that helps with understanding the Scheme's financial position. The APS solvency level was 82.6% at the last formal valuation as at 31 March 2012, but the Scheme Actuary has confirmed it has improved since then.

How are my benefits protected?

The Pensions Regulator acts as a watchdog, working with pension scheme trustees, scheme managers and employers to help protect your pension. The Pensions Regulator has powers to intervene in the running of schemes if necessary and can issue directions to trustees and companies which require the employer (or a person associated with the employer, such as a holding company) to pay money to the scheme or put another form of financial support in place. We're required to let you know that The Pensions Regulator has not issued any such directions to the APS Trustee and that the Scheme has not made any payments to the employer in the year to 31 March 2017.

Money going in and out of the Scheme






The Scheme's annual report and financial statements for the financial year to 31 March 2017 were finalised in October 2017 and showed that at 31 March 2017, APS had assets of just over £8 billion. The annual report and financial statements show the financial position of the Scheme on a particular day and are different to a valuation which looks at whether the Scheme is likely to be able to pay the benefits that are due in the longer term.

	Million
Value as at 31 March 2016	£6,994
 Income (member and employer contributions and investment income)	£183
 Outgoings (such as payment of pensioner and dependant benefits)	(£412)
 Change in market value of investments	£1,245
Value as at 31 March 2017	£8,010

The Scheme's Auditors, KPMG LLP, gave their opinion that the Scheme's report and financial statements provide a true view of the financial transactions of APS and the investments it holds.

Membership numbers

On 31 March 2017, the total membership of APS was 25,353 (2016: 26,351), made up of:

	2017	Change from 2016
Active members - making contributions	271	 77
Active members - with crystallised pensions	160	 40
Deferred members	1,083	 189
Pensioners	17,330	 499
Dependant pensioners	6,509	 193

The Scheme’s investments

British Airways Pension Investment Management Limited (BAPIML) manages the day-to-day investment decisions for APS on behalf of the Trustee.

Investment update

Over the year to 31 March 2017, returns on the APS investments that are measured against the benchmark were positive. These investments include stocks, equities (shares) and bonds (gilts).

The Scheme’s investment returns are measured against strategic benchmarks. The Trustee has set a target for the Scheme’s investment managers to beat the investment returns of the benchmark by 0.3% over a five-year rolling period.

The actual investment returns over the year to 31 March 2017 and over ten years to 31 March 2017 exceeded this target benchmark, but returns over three and five years were below the target benchmark. During the last year, the positive performance of the Scheme’s assets against the benchmark was largely achieved through BAPIML’s choice of asset types (such as shares versus bonds), country and currency.

You can read more about the Scheme’s investment performance on page 13 of the annual report and financial statements, available on the ‘Scheme documents’ page of our website at www.mybapension.com/aps

How APS investments performed

Financial years to 31 March 2017		APS returns (% a year)	Benchmark returns (% a year)
2017	1 year	14.96%	14.72%
2015/2017	3 years	9.85%	10.13%
2013/2017	5 years	7.76%	7.85%
2008/2017	10 years	7.83%	7.70%

Investment Strategy

The Trustee aims to choose investments that meet the cash flow needs of the current membership by providing an appropriate mix of growth and security. This is done by investing in a mixture of assets. The Scheme's Statement of Investment Principles is available on the 'Scheme documents' page of our website at www.mybapension.com/aps

APS investments as at 31 March 2017

Return seeking investments	UK equities	2.7%
	Overseas equities	7.1%
	Private equity	1.1%
	Alternative investments	4.2%
	Property	4.2%
Liability matching investments	Real assets (infrastructure)	1.9%
	Bonds fixed	14.9%
	Bonds indexed	62.3%
	Cash	1.6%
Total		100%

Want to know more?

The full annual report and financial statements for the year ending 31 March 2017 are available on the 'Scheme documents' page of our website at www.mybapension.com/aps and show a further breakdown of the Scheme's investments, including a detailed Investment Report on how they performed over the year to 31 March 2017.



Jargon Buster

Benchmark

The performance of each of the main asset classes is measured against a market index. For example, the performance of UK equities is measured against the FTSE All Share Index. The indices are selected to ensure that the investment performance objectives are linked to the APS pension benefits due to be paid now and in the future. The aim is to exceed this level of return and investment performance is judged against this target.



Good to know

Pension giving – the easy way to give from your pension



The British Airways Pension Giving programme allows you to give to your chosen charities directly from your APS pension in a tax-efficient way. You can start, stop or change pension giving at any time by visiting our microsite <http://bapensions.givingonline.org.uk> and completing the online donor form.

BA Pensions sends your monthly donation to BA's payroll giving partner, Charitable Giving, who distribute the money to the charities on your behalf. BA pays the handling and administration fee.

Who manages APS?

APS is managed by a Corporate Trustee, Airways Pension Scheme Trustee Limited. The individual Trustees are Trustee Directors of the Corporate Trustee.

Changes to the Trustee Board

This year we welcomed Jude Winstanley, Rebecca Napier and Sian Davies (replacing Charlie Maunder, Ian Howick and Philip Osmond).

Paul Douglas, Pensioner Trustee Director, reached the end of his term of office on 30 September 2016 and was re-elected for a further term of office uncontested.

Meet your Trustee Directors

There are twelve APS Trustee Directors. Six Trustee Directors are elected by the active and pensioner members of APS (as Member Nominated Directors) and six are appointed by BA (as Employer Nominated Directors). The Company roles for Employer Nominated Directors and constituencies from which Member Nominated Directors have been elected are shown below.

The current Trustee Directors are:

Employer Nominated Directors



Virginia Holmes
Chair – Independent
Trustee



Sian Davies
Financial Controller,
Engineering (BA)



Andrew Fleming
Head of Legal and BA
Company Secretary (BA)



Bill Francis
Head of Group
IT (IAG)



Rebecca Napier
Head of Finance
Transformation (BA)
& Acting IAG GBS CFO



Jude Winstanley
Head of Brand and
Customer Experience
Effectiveness (BA)

Member Nominated Directors



Frances Axford
Pensioners



Paul Douglas
Pensioners



Ian Heath
Pensioners



Phil Hogg
Pensioners



Stephen Mallett
Pensioners



Tom Mitchell
Active members and
pensioners



Scheme pension increases

The 2018 pension increase is expected to be around 3%

Most pensions within APS increase each year, as described in the Scheme Rules. In the first year, pension increases depend on the date you left the Scheme. The increases are set out in the Government's yearly Pensions Increase (Review) Orders. These Orders broadly reflect the increase in the Consumer Price Index (CPI). The actual increase won't be confirmed until Orders are published in late March 2018, but we expect it to be around 3%. We'll provide pensioners with a pension increase statement as usual by the end of April 2018 to confirm the new pension amount that will apply from 9 April 2018, along with a P60 certificate for the year to 5 April 2018.



Scheme updates

Our service to you over the past year

Over the year to 31 March 2017, BA Pensions dealt with 48,661 pieces of work. This included enquiries from members, their representatives and advisers, as well as sending members details of their options under the Scheme. The BA Pensions' hotline team has also handled 48,335 telephone calls.

Much of the teams' work is delivered within the framework of a service level agreement (SLA), with the aim that 95% of enquiries are answered within 10 working days. In the six months to 31 March 2017, we're pleased to say that the team beat this SLA, replying to more than 97% of enquiries within 10 working days.

Industry award winners

We're proud to have won two pensions industry awards in the last year – the Professional Pensions Pension Scheme of the Year Awards for 'Best Administration' and 'Best Trustee Development'. During the year ahead we'll continue to concentrate on improving the way we communicate with you and the quality of our service.

Mybapension online



Total visits to our APS and NAPS websites during the period 1 September 2016 to 31 August 2017 were 1,806,695.



Page views within the APS and NAPS secure mybapension online areas were 760,316.



43% of visitors to the APS website accessed the secure mybapension online area to view their personal APS statements.

Mybapension online now holds a history of at least three of each type of pension statement for most members, enabling you to view and compare your statements over time to see how your benefits are growing from year to year.

Have you registered?

Currently around 11,500 APS members receive their communications online (that's nearly 50% of all APS members!).

If you haven't yet registered you could be missing out. It's easy to get started, just visit the 'Registration' page of our website at www.mybapension.com/users/sign_up



We've also added new online video guides on how to log into the secure section of our website to view your pension statements, and how to reset your password if you've forgotten it. Visit the 'Videos' page of our website at www.mybapension.com/aps

Online forms

Our range of easy-to-use online forms have proved very popular with members, with over 15,000 forms submitted via our website in the past year.

Don't forget, online you can:

- ☒ Complete a Surviving Dependant registration form to register a dependant for an Adult Survivor's pension if you are not married or in a civil partnership.
- ☒ Manage your AVC investments.
- ☒ Change your bank details for pension payments (for payment to UK banks only).
- ☒ Change your postal address.
- ☒ Give to charity from your BA Pension using our online portal.

Pension increase update

We've been keeping you up to date with progress on the award of discretionary pension increases.

As a reminder, in 2011, the Trustee decided to introduce the power to award discretionary increases to deferred pensions and pensions in payment. It exercised that power by granting a 0.2% increase from December 2013. The 19 May 2017 High Court judgment ruled that the Trustee at the time and its advisers had acted appropriately and that both decisions were valid. The decisions were made in response to the Government changing the inflation measure for Pensions Increase (Review) Orders, from the Retail Price Index to the (usually lower) Consumer Price Index.

BA appealed part of the judgment and the Court of Appeal will hear this appeal in May 2018. The outcome is expected to be known in the summer. BA was also granted an injunction. This stops us paying the 0.2% increase until we know the result of the appeal. If the Court of Appeal dismisses BA's appeal, and BA does not then take its case to the Supreme Court and apply for another injunction, the injunction will be lifted and the increase can be paid. We'll also then be able to review our position on discretionary increases for 2014 and subsequent years, which we've put on hold while the case is being heard.



Need to know

What to do when someone dies

We realise this will be a very difficult time, but it's very important that someone tells us straightaway when one of our pensioners dies, by calling the BA Pensions team on 0208 538 2100 (Mon to Fri, 9am to 5pm). As soon as we're notified, we can make sure that any survivor's benefits are put into payment without delay.

Should I complete a Notice of Wish form?

If you die after drawing your pension and no adult survivor's pension is paid from the Scheme, a lump sum death benefit might be due if the sum of the pension benefits you've already received is less than the pension contributions you paid to APS with interest added. You can tell the Trustee who you would like to receive any lump sum death benefits by completing a Notice of Wish form, available to download from the 'Forms' page of our website at www.mybapension.com/aps



Find out more

If you die whilst you're in receipt of your pension, your pension payments will continue until the end of the month in which you die and then they will stop. When you die, your spouse or partner, dependent children or additional dependants may be eligible to receive certain benefits. If these benefits apply, they will usually be paid from the date of your death. BA Pensions will start payment of these as soon as possible once we have all the information we need to set up the payments. We'll need to see original marriage and birth certificates if we haven't already, which we'll send back straightaway.

The GOV.UK website provides some useful information about what to do after someone dies. Visit www.gov.uk/after-a-death

Have your BA friends received In Focus?

Are you in touch with former employees of British Airways? Have they received their latest edition of In Focus, or any other pension communications from us in the last year or two?

If someone you know has not received either an email alert or a copy of In Focus in the post, please ask them to call us on 020 8538 2100 (Mon to Fri, 9am to 5pm).

Pensioner support

Pensioners have their very own section of the member website. Even if you haven't registered for online communications you can still use the pensioner section of our website.

How can I access the pensioner section?

1. Go to www.mybapension.com
2. Click on 'APS'
3. Click on 'pensioner members' for information about how your pension is paid, when it's paid, pension increases and what your dependants should do when you die. Copies of all our newsletters, including the quarterly newsletter, are available on the 'News' page of our website at www.mybapension.com/aps/news/trustee-quarterly-newsletters

More on the back page



The BA Welfare and Benevolent Fund

This was set up by BA to help current and former employees who are experiencing financial hardship. Grants are awarded to help with the purchase of necessary goods or services that can't be afforded from normal income. Almost any one-off cost will be considered, although ongoing support cannot be provided. Examples of items for which grants have been awarded in the past are mobility aids or special equipment, appliances for the home and property maintenance and adaptations.

You can contact the BA Welfare and Benevolent Fund in confidence, in the following ways:

Email

bawelfare&benevolentfund@ba.com

Write to

BA Welfare & Benevolent Fund
c/o BA Clubs
Regus
450 Bath Road
Longford
UB7 0EB

The Former Staff Liaison Council (FSLC)

The FSLC is a long-standing group that BA formally consults with and who represent the views of pensioners and former employees. It meets four times a year.

If you wish to join FSLC to assist former colleagues, please contact them at any time by email to Liaison.1.council@ba.com

Contact us

BA Pensions is here to help all APS members; whether you're still working for BA, have left BA but not yet drawn your pension or if you're drawing your pension.

You can contact us in the following ways:

Write to:

BA Pensions
Whitelocke House
2-4 Lampton Road
Hounslow
Middlesex
TW3 1HU

Call:

020 8538 2100
Mon to Fri, 9am to 5pm

Email:

enquiries@bapensions.com

Visit our website:

www.mybapension.com/aps