

NAPS Trustee Focus



A quarterly newsletter for the NAPS membership November 2015

Welcome to the latest Trustees' online quarterly newsletter; designed to help keep you up to date with information about your Scheme and the Trustees' current activities.

Trustee Changes

British Airways (BA) has appointed Virginia Holmes as Chair of NAPS and APS from 1 October 2015. Please see our [October communication](#) to you available on the 'other news' page of the member website www.mybapension.com. One of Virginia's first tasks will be to steer the Scheme's formal valuation. The actuary has completed his first part of the work reviewing the Scheme's data and the next stage is to progress negotiations with BA. Other Trustee changes mean that Andrew Fleming replaces Alan Buchanan as an employer appointed Trustee for NAPS and APS. The Trustee arrangements and various Committee structures have been updated to reflect these changes.

Transfer Value Changes

We reported last time that a key work stream within the valuation process is the review of Scheme factors used to calculate member and deferred pensioner retirement options including exchanging pension for cash, early payment of pension before Normal Retirement Age and transfer value calculations. Factors are reviewed from time to time and at least every three years, previously at the end of the formal valuation process. The Government's introduction of Defined Contribution flexibilities has led us to review factors used to calculate the Scheme's transfer values. From 1 April 2016 transfer value factors will be updated. These changes are likely to mean a decrease in transfer values for members close to, at or over Normal Retirement Age and an increase for younger members. The size of the increase or decrease will depend on your age as well as financial market conditions at the time the final calculation is made. Active or deferred members considering transferring their benefits out of the Scheme may wish to bear this in mind and should always seek independent financial advice before making any final decision regarding their pension benefits. Legislation requires members with transfer values over £30,000 relating to defined benefits (such as NAPS pensions) to seek appropriate financial advice before transferring and evidence that this has been obtained will be required. Notice of the change to transfer values has been added to relevant member option packs and an ['other news' article](#) has been published on this website. We will continue to explore potential updates to other Scheme factors as part of our valuation discussions.

New State Pension 2016

As you will be aware from our previous newsletters and the [February 2015 In Focus](#) (available on the 'News' page of the website), State Pension arrangements are being replaced with a single tier new State Pension (NSP) for members who reach [State Pension Age \(SPA\)](#) on or after 6 April 2016. The option for schemes to 'opt out' of the earnings related State Pension (known as contracting out), ceases to exist from that date and National Insurance Contributions (NICs) paid by both active members and BA will increase as a result. On 22 October 2015, BA launched its consultation with employees over how it intends to pass its increase in NICs onto employees, which it is permitted to do by the legislation without requiring Trustee consent. We continue to monitor the progress of the BA consultation, which closes on 21 December, so that any necessary changes to our systems and Rules may be implemented. Another facet of these changes is how increases to State Pensions are affected for those members and pensioners who reach [SPA](#) on or after 6 April 2016. Currently, annual increases to the State Second Pension (S2P) broadly equate to increases on the [Guaranteed Minimum Pension \(GMP\)](#) after [SPA](#). When the S2P is replaced, the State will pay 'triple lock' increases on the NSP instead, meaning the NSP will increase by the higher of the increase in average earnings, CPI or 2.5%. The Scheme will continue to pay [GMP](#) increases just as it does now i.e. once a NAPS pension begins to be paid, the Scheme increases the total [GMP](#) portion up to [GMP Age](#) and then from [GMP Age](#) the Scheme increases the [GMP](#) which built up after April 1988, up to 3% a year. We have been liaising with the Minister for Pensions, The Pensions and Lifetime Savings Association (PLSA), (previously known as the National Association of Pension Funds) and the DWP on this complex issue on your behalf. The Minister and the DWP maintain that most individuals will be better off under the new arrangements, as they will be entitled to the higher of NSP arrangements or old State Pension arrangements at 6 April 2016, they will then be able to build further NSP after 6 April 2016 by paying NICs or securing NI credits and the NSP is protected by 'triple lock' pension increases. For further information, to check your [SPA](#) or request a State Pension forecast visit www.gov.uk.

Online address changes now available for Pensioners & Deferred Pensioners

An online change of address facility is now available on the secure ['mybapension online'](#) section of the member website www.mybapension.com. Pensioners and deferred pensioners who have registered for online communications may use this facility to tell the Pension Scheme of any change of address. If you have not registered for online communications you can do so by visiting www.mybapension.com and click on ['register'](#). Address changes can also be accepted in writing with a signature. For security reasons address changes cannot generally be accepted by email. **Active members must continue to update British Airways and not the Pension Scheme of any change of address.**

Tax matters

The Annual Allowance (AA), which limits tax relief on pension savings each year, is changing to a tapered allowance from 6 April 2016. The changes will impact members paying pension contributions who have *income* over £110,000 and *adjusted income* over £150,000 a year. Prior to this change, the 2015/16 savings period has been split into two notional periods; 1 April 2015 to 8 July 2015 and 9 July 2015 to 5 April 2016. Up to £80,000 AA will be available for the total 2015/16 periods with a maximum of £40,000 allowed to be carried forward to the second notional period. Further information, including an [explanatory leaflet](#), is available on the 'tax allowances' page of www.mybapension.com. A single pension savings statement, covering both 2015/16 transitional periods, will be issued to affected members, as usual, during summer 2016.

The Lifetime Allowance (LTA), which limits tax relief on total benefits at the point they are drawn, is reducing from £1.25m to £1m from 6 April 2016. Individual Protection 2016 and Fixed Protection 2016 will be available to protect against LTA charges. Further details, including a personal LTA value, will be sent later this year to members that we can identify as potentially affected. Members with benefits outside of the BA Scheme should also consider their position. HMRC has said that individuals will not be able to register for either of the protections until after 6 April 2016 but members intending to apply for Fixed Protection must cease pension build up by 5 April 2016. For NAPS members, this means providing opting out notice to the Pension Scheme by 29 February 2016 in order to opt out from 1 April 2016.

AGENDA WATCH

At the September 2015 Quarterly meeting:

- We received our quarterly investment update from [BAPIML](#) and details of various financial transactions that had been considered and, where appropriate, actioned.
- [BAPIML](#) provided its annual report on how the Trustees' policies on Corporate Governance and Socially Responsible Investment had been implemented during the year. These policies are designed to protect the economic interests of the Scheme's investments and provide a framework for [BAPIML](#) to raise issues concerning the social, environmental or ethical aspects of the operations of any company they are investing in and are detailed on the '[Corporate Governance](#)' page of the website.
- We updated the bankruptcy and assignment provisions within the Rules, designed to protect a member's pension rights from falling into the bankruptcy estate, to bring them in line with current legislation. Further details of this change can be provided, on request, from Whitelocke House.
- The Scheme's Annual Report and Accounts have been finalised and will be available in due course on the '[Scheme documents](#)' page of the website. A summary will also be provided in the next In Focus.
- We completed a review of all existing insurance arrangements in place for the Trustees, BAPSL and [BAPIML](#); The key objective of which was to ensure the certainty with which a policy would respond were it to be called upon.
- We completed the usual quarterly review of the risk framework and confirmed risks were being controlled adequately. We have described the purpose of the risk framework in previous editions of the Trustee newsletter.

Glossary

BAPIML – British Airways Pension Investment Management Ltd. who manage the day to day investment of the Scheme's assets on our behalf.

Guaranteed Minimum Pension (GMP) - a minimum amount of pension NAPS promises to pay for service completed between April 1978 and April 1997.

GMP Age – age 65 (men), age 60 (women)

income - basic salary, bonus plus other income such as rental income, investment income, interest on savings etc. but usually excluding pension contributions.

adjusted income - income as described plus an individual's pension input amount for the period excluding AVCs.

State Pension Age (SPA) – The age at which your State Pension is paid. You can find out your actual State Pension Age by using the State Pension Age calculator on the www.gov.uk website.

Availability of Information

The Trustees meet quarterly with additional meetings being held as required. Much of the detailed work is undertaken by the Committees (Governance and Audit, Operations and Investment). In addition, sub groups are convened to look at specific issues.

We will seek to provide information on as many items as we can; however, there are some issues we won't be able to disclose. For example, if it involves an individual member, if the matter is commercially sensitive, if disclosure could undermine the Trustees' negotiations with third parties or where the information concerns planned investment actions.