

## **Message from the NAPS Trustee - Trade Union communications on NAPS**

We are responding to trade union communications regarding their informal discussions with the Company about the possible closure of NAPS. "Closure" in this context would mean stopping the build-up of future pension benefits in NAPS. The pension you have already built up in NAPS is protected by law. Even if NAPS were to close, BA would continue to have a legal obligation to fund NAPS so your pension built up to the date of closure can be paid. Closure would not mean that NAPS would be wound-up.

To be clear, closure has not been announced, discussed with the Trustee or agreed.

### **Your past service benefits are protected by law**

We would like to reassure members that if NAPS were to close the pension you have already built up is protected by law, even if NAPS were to close.

A proportion of your pensionable pay is built up as pension for each day of service for which you are paying contributions. Closure means closed to build up of pension benefits for future service only - this is often referred to as "closure to future accrual". If NAPS were to close to future accrual, your past service benefits built up to date of closure would remain protected by law. NAPS would continue to run for your past service benefits and BA would continue to have a legal obligation to fund NAPS so your pension built up to date of closure can be paid.

### **NAPS is not winding up**

Winding up is different to closure. Winding up might occur in the event that BA was financially no longer able to support NAPS i.e. if BA went insolvent. As long as BA is financially able to support NAPS, NAPS is unlikely to wind up. Closure would not change this.

### **Transfer requests**

We are receiving a higher volume than usual of requests for transfer values. A transfer value tells you the amount that could be paid to another pension scheme if you transferred your benefits out of NAPS.

In order to transfer out you would need to opt out of (leave) NAPS and you would stop building up pension under NAPS for your future service from the date you opt out. There is no provision under NAPS Rules to opt back in once you have opted-out.

You should think very carefully before opting out and transferring your benefits out of NAPS and if you are considering this it is recommended you take independent financial advice before doing so (neither the Trustee or BA Pensions can provide you with financial advice). You should make sure you understand the NAPS benefits you would be giving up, what they would be replaced with and any tax implications. You would be giving up valuable pension and other benefits. In particular, if you opt out of NAPS you would no longer be covered for death in service or ill health benefits in NAPS.

It may be that the recent trade union communications have contributed to the increase in requests for transfer values. If you are considering transferring-out because you are worried NAPS is going to close, the Trustee wishes to reassure you that even if NAPS were to close, your past service benefits built up to date of closure would remain protected by law.

The Pensions Regulator has provided risk warnings about pension scams and transferring your benefits in order to draw them from other arrangements, which you should read here [https://www.mybapension.com/resources/news/retirement\\_risk\\_warnings.pdf](https://www.mybapension.com/resources/news/retirement_risk_warnings.pdf)

### **EBF and SGF AVC Accounts**

We are also receiving queries about moving monies out of the Equity Biased AVC Fund (EBF). EBF and SGF AVC accounts (but not MPF AVC accounts) are classed as non-money purchase or 'cash-balance' arrangements. This is because both EBF and SGF have an element of investment return that is guaranteed. The MPF continues to be classed as a money purchase arrangement.

If BA ever went insolvent and NAPS was ever to wind up with insufficient funds to pay all of the promised benefits in full, EBF and SGF accounts, as non-money purchase benefits, may be adversely impacted. However, as long as BA is financially able to support NAPS, NAPS is unlikely to wind up. Closure would not change this.

Date: 10 July 2017