

Calling all investors in the Short-Dated Gilts Fund (SGF)

At 1 September 2021, 3,359 of our members had accounts in the Short-Dated Gilts Fund (SGF). If you are one of these members we would encourage you to take some time to review whether this is the best option for you.

Over the past five years, the total return from the SGF has been 2%, which makes it by far the lowest performing of our three AVC Funds. Inflation has averaged over 2% per annum over this time, so the real return on any investment in the SGF was even lower.

The Scheme Rules lay down how we work out the SGF interest rate, so we can't improve investment returns within the SGF for our members. Unlike our other two AVC Funds we run, it's not a managed Fund, and there's no link at all to stock market performance, either directly or indirectly.

£100 invested in the SGF in 2016 was worth just £102 by 1 June 2021. The same amount invested in the EBF would have been worth £139.

We are not authorised to offer financial advice, but you should be aware of the two other AVC funds that are available. These are the Equity Biased Fund (EBF) and the Mixed Portfolio Fund (MPF).

The EBF, like the SGF, includes a guarantee of a minimum return and so the value of an investment held in the EBF cannot go down. By contrast, the MPF has no guarantee, so the value of an MPF account can go down as well as up.

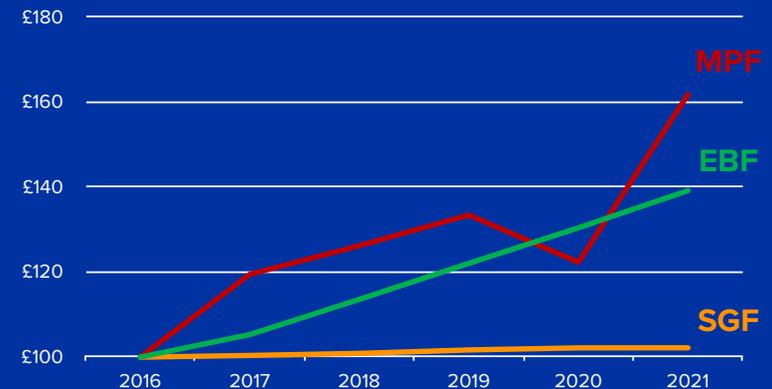
In simple terms, the guarantees that apply to the SGF and EBF ensure that your money in these funds is not at risk of suffering losses (except in the event that the Scheme closes or is wound up¹). However, the EBF has produced a higher return than the SGF for members in most years since we introduced the EBF in 1994.

If you have money invested in the SGF you may not have been comparing the Fund returns regularly with our other two AVC Funds. We show the yearly investment returns in our AVC Investment Commentary, that we provide alongside your yearly AVC statements. You can find the [latest AVC Investment Commentary](http://www.mybapension.com) on our website www.mybapension.com on the AVC funds page.

¹ If the Scheme is ever wound up, money-purchase benefits would be paid out as one of the first benefits and so would usually be fully protected. However, the SGF and EBF accounts (but not the MPF accounts) are classed as non-money-purchase or 'cash-balance' arrangements. If the Scheme is ever wound up without enough funds to pay all of the promised benefits in full, the fact that the EBF and SGF accounts are classified as non-money-purchase benefits could mean there is a risk that SGF and EBF accounts might be used, in full or in part, to pay other promised Scheme benefits. The exact effect would depend on the funding position in the Scheme at the time.



5-year total returns to 2021





Click on 'AVC funds' on the home page of your Scheme website for details of the latest Fund rates, the AVC Investment Commentary and our AVC Plan information leaflet.

As already noted, the EBF has a guarantee that your investment can't go down and you always get, as a minimum, a return at least as much as the rate on a seven-day Local Authority deposit account - this is the level you would generally expect to receive as interest on a cash investment. Here's a table comparing the yearly returns for each of the last five years.

| Year | SGF | EBF |
|---------|-------|-------|
| 2016/17 | 0.40% | 5.32% |
| 2017/18 | 0.48% | 7.88% |
| 2018/19 | 0.81% | 7.46% |
| 2019/20 | 0.48% | 6.85% |
| 2020/21 | 0.02% | 6.75% |

Naturally, we can't promise that the EBF will always out-perform the SGF, and in all three AVC funds, the returns vary from year-to-year and you should not rely on past performance as a guide to future performance. However, we do recommend that AVC account-holders consider whether or not they are happy with their current investment option and read their AVC Investment Commentary each year to keep up-to-date with their AVC performance figures. You may wish to seek independent financial advice on your options.

Changing your AVC investments

It's easy to change how your AVC Funds are invested, and you can do this from the first day of any future month. We just need your instruction by the 20th of the month for the switch to take place from the first day of the next month.

Simply log in to Mybapension Online to fill in our online SmartAVC form and click to send your instructions directly to the BA Pensions team. We'll include details of any investment switches you've made during the year in your next AVC Statement.

Our AVC Funds are only available to APS and NAPS members. In addition, members do not pay any subscription or investment management fees for the AVC Funds.