

# New Airways Pension Scheme

Summary funding statement

Updating you on the funding position as at 31 March 2023



# Glossary

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

Alternatives	These are asset classes that are not equities, traditional bonds or cash. Examples include infrastructure (investment in important facilities such as roads and bridges), private credit (money lent to companies by private organisations (not bank loans), where the debt is not issued or traded on public markets) and hedge funds (pooled investment funds which are professionally managed).
Assets	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.
Deficit	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.
Deficit reduction contributions	Contributions BA makes to the Scheme to improve the funding position and remove the technical provisions deficit over time.
Diversified illiquid income	These are lower-risk income-generating assets that can have similar characteristics to a pension scheme's liabilities.
Funding level	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.
Illiquid assets	An illiquid asset is an asset that is typically designed for longer-term investment, so is usually difficult to sell quickly without losing a lot of value. Examples of illiquid assets include property or shares in a private (unlisted) company.
Investment risk	The risk of investments not performing as well as expected or the value of the assets changing by a different amount to the liabilities, which would result in a higher deficit. Investment risk tends to be higher in certain assets (such as equities, illiquid assets and property) than others (such as government bonds and cash).
Liabilities	The value placed on expected future benefit payments and expenses, calculated using actuarial methods and assumptions.
Liability-matching investments	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.
Responsible investment	An investment strategy and practice which considers both financial returns and environmental, social and governance (ESG) factors.
Return-seeking investments	Investments in assets which aim to increase the value of a pension scheme's investments (capital growth) with a lower income stream and typically produce higher returns over the long term, but with a higher level of investment risk.
RPI Reform	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.
Schedule of contributions	A document that sets out the level and timing of contributions to be paid to the Scheme. The schedule of contributions must be agreed between us and BA and certified by the Scheme Actuary. It must also be revised as part of each valuation.
Scheme Actuary	A professional adviser who advises us on the Scheme's ability to meet its long-term and short-term liabilities. The Scheme Actuary calculates what needs to be paid into the Scheme by BA.

# Glossary

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

Solvency position	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.
Statement of Investment Principles (SIP)	A document which sets out the investment principles that govern decisions about a pension scheme's investments. We (the Trustee) 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.
Surplus	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.
Technical provisions	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 New Airways Pension Scheme (referred to in this document as ‘the Scheme’) we are responsible for making sure the Scheme has enough funds to pay your benefits. This summary funding statement provides an update on the Scheme’s position which is relevant for all members, including members from legacy schemes such as former British Caledonian, Dan Air and Davis & Newman members. We carry out a detailed financial health check of the Scheme’s funding position, known as a valuation, at least every three years and issue yearly updates in between. This summary funding statement provides an update on the Scheme’s position following the 31 March 2023 yearly funding update.

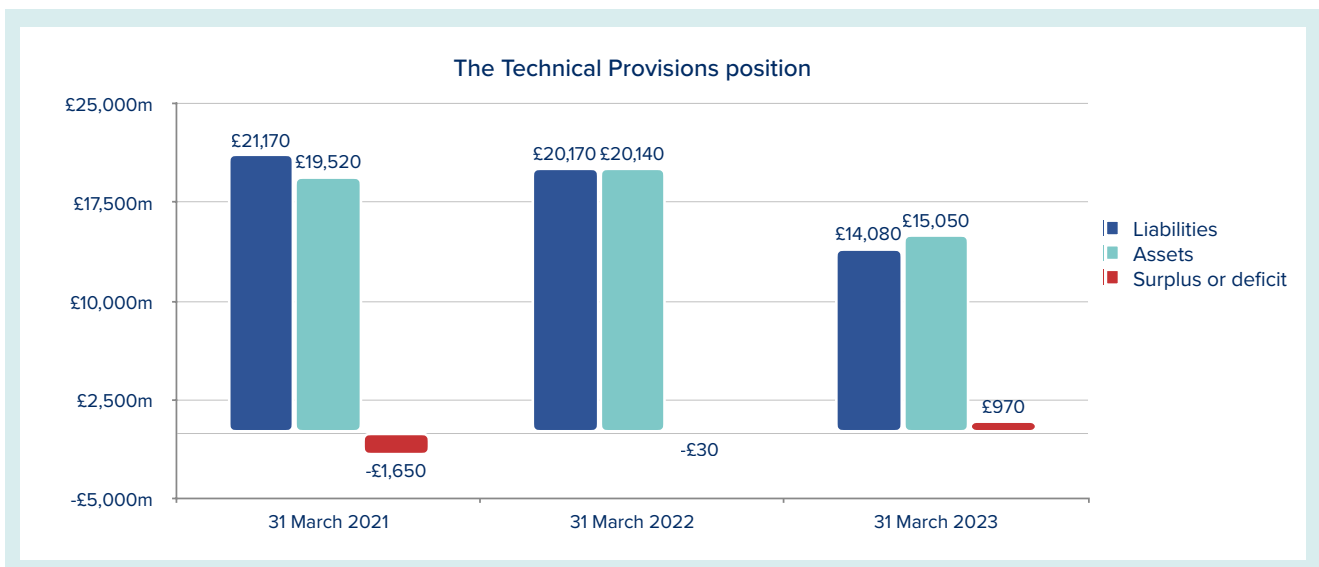
## In the year to 31 March 2023

Between 31 March 2022 and 31 March 2023, the Scheme’s assets and liabilities both reduced significantly. The technical provisions funding level increased from 99.9% to 106.9%, with the position improving from a deficit of £30 million to a surplus of £970 million. These changes were mainly due to increases in interest rates and higher expectations of future investment returns.

The year to 31 March 2023 saw high levels of inflation and a level of instability in UK government bond markets that has never been seen before, resulting in a large increase in interest rates over the year. However, due to the Scheme’s investment strategy, it has been protected from most of the negative effects of this instability. In fact, it has benefited from the increase in interest rates, which has been the main reason for the improvement in the Scheme’s funding position over the year.

As the Scheme’s technical provisions funding level was over 100% during the year, BA did not pay any deficit reduction contributions over the year. This was in line with the recovery plan we agreed with BA for the 2021 valuation.

The chart below shows how the funding position of the technical provisions has changed since 31 March 2021.



The next formal valuation is due to be carried out as at 31 March 2024.

## How the funding position is worked out

To assess the funding position of the Scheme we look at the following two things.

- The funds built up by the valuation date from contributions made by BA and the Scheme members plus the investment returns. The sum of these, less the pension benefits paid up to the valuation date, is equal to the value of the Scheme's assets.
- The total value of future pension payments promised to Scheme members. These are known as the Scheme's liabilities.

For more details about the Scheme's assets, see our [2023 annual report and financial statements](#) available on the '[Scheme documents](#)' page of our website.

The Scheme Actuary works out the Scheme's liabilities using various assumptions, for example about the life expectancy of members and the investment returns we might achieve in the future.

We compare the values of the assets and the liabilities to work out the Scheme's funding position under different scenarios in line with the Pensions Act 2004. The technical provisions are a key measure of the liabilities. They are used to work out the level of funding needed from BA and are calculated assuming the Scheme will continue into the future and that BA will continue to operate and support the Scheme.

### Other measures

The Scheme Actuary must also provide an estimate of what the funding position would be if the Scheme had been wound up (brought to an end) at the valuation date. This is known as the solvency position and looks at whether the Scheme has enough money to buy insurance policies to provide all the benefits promised to members. There are no plans to wind up the Scheme. The solvency position simply helps us to understand the Scheme's financial position.

At 31 March 2022, the value of the Scheme's assets was estimated to be enough to buy an insurance policy which would cover 85% of members' benefits. This estimate showed that BA would have had to make an extra final contribution of about £3.4 billion to make sure that an insurance company could pay all members' pensions in full. This shortfall does not affect the pensions being paid out of the Scheme – we have always paid members their full pensions. As at 31 March 2023, the Scheme Actuary estimated that the solvency position might have improved to cover 96% of members' benefits.

The table below shows how the solvency position has changed since 31 March 2021.

	31 March 2023 (£ million)	31 March 2022 (£ million)	31 March 2021 (£ million)
Assets	<b>15,050</b>	20,140	19,520
Liabilities	<b>15,610</b>	23,570	26,350
(Deficit) or surplus	<b>(560)</b>	(3,430)	(6,830)
Funding level (%)	<b>96</b>	85	74

**Recap of the results of the last valuation as at 31 March 2021**

Every three years the Scheme Actuary carries out a formal valuation of the Scheme. We provided the results of the 31 March 2021 valuation in last year’s summary funding statement and we have included a brief recap this year. For more details, see last year’s **summary funding statement** or the Scheme Actuary’s report on the **2021 valuation**, both of which are available on the ‘**Scheme documents**’ page of our website.

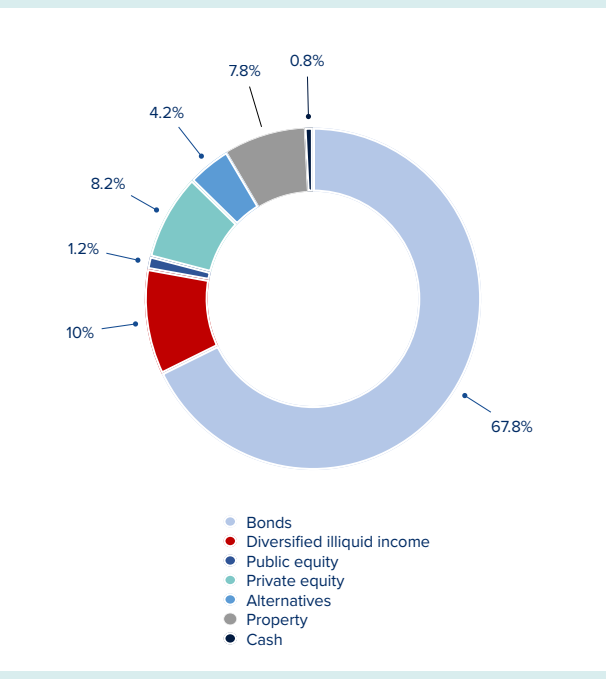
The 2021 valuation found that, since the last formal valuation in 2018, the funding level had improved to 92.2% (87.6% in 2018) and the deficit had reduced to £1,650 million (£2,400 million in 2018).

Since the valuation date and the date the valuation was agreed, a combination of market changes and good investment returns have significantly improved the Scheme’s financial position. Despite this improvement, BA agreed to provide a package of contributions worth up to £1,650 million if the Scheme returns to being in deficit. These contributions will initially be paid at a rate of £50 million a year from 1 January 2023. They will rise gradually to £225 million a year from 1 July 2026 and will be maintained at this level until 31 May 2032. We and BA have agreed that these payments will stop if the Scheme is funded above 100% of the technical provisions, but will start again if the Scheme returns to being in deficit. BA also agreed to provide a comprehensive package of protection, including using property assets as security, until the end of September 2028.

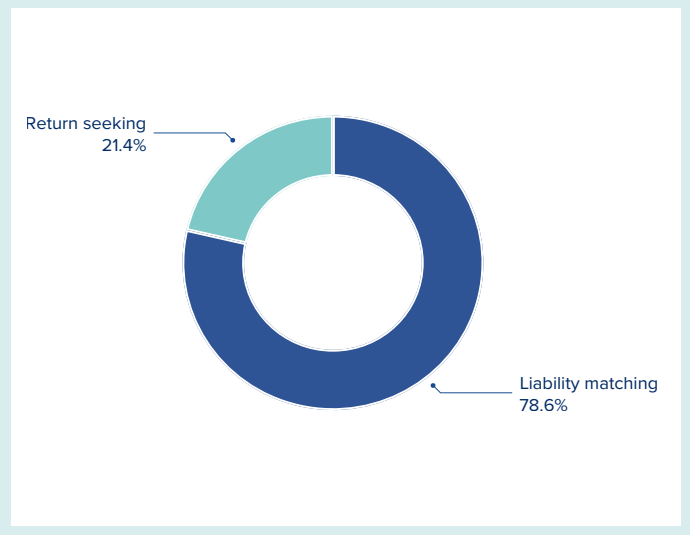
**The investment strategy**

We are responsible for monitoring how the Scheme invests in assets and for reviewing its investment strategy to balance risk and returns from the Scheme’s assets. Our current strategy aims to reduce the Scheme’s overall exposure to investment risk. This means moving money out of more risky investments and into investments which are expected to behave in a similar way to the value of the liabilities, so there is a good mix of growth and security. We monitor the investment strategy and update it when appropriate.

As at 31 March 2023, the funds were invested in a range of assets, as shown below.



As at 31 March 2023, the Scheme’s investments were split between two broad categories of return-seeking assets (such as equities and illiquid assets, including property) and liability-matching assets (such as cash and bonds).



For more details on the investment approach and the Scheme’s approach to responsible investment, see the statement of investment principles, available on the ‘**Scheme documents**’ page of our 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.

# Finding out more

## How the Scheme's benefits are protected

Pension schemes 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 valuation update as at 31 March 2022. 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 in full. This acts as a safety net for pension schemes in cases where both the scheme and its sponsor are in financial difficulty.

You can find more information at [www.ppf.co.uk](http://www.ppf.co.uk)

## Important to know

### Transfers

#### Transfers

During these challenging times, we are aware that there is an increased risk of pension scams. If you are considering transferring your benefits out of the Scheme or if someone approaches you with pensions advice you have not asked for, we strongly recommend that you get financial advice before making any decision. Please also read the useful information the Financial Conduct Authority provides about pension scams on its website at [www.fca.org.uk/scamsmart](http://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 (New 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 valuation report for 2021 as well as the annual 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 (please remember to include your pension reference number or British Airways staff number).

Send us a message through our website at [www.mybapension.com/naps/contact-us](http://www.mybapension.com/naps/contact-us)

Call us on **+44 (0)20 85382100**  
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