

# New Airways Pension Scheme

## Summary Funding Statement

Updating you on the funding position as at 31 March 2018 and 31 March 2019





# Summary Funding Statement

As the Trustee of the New Airways Pension Scheme (NAPS - 'the Scheme') we are responsible for ensuring the Scheme has enough funds to pay your benefits. A detailed financial health check of the funding position of the Scheme, known as a valuation, is carried out at least every three years with annual updates in between. This Summary Funding Statement provides an update following the 31 March 2018 valuation and includes the latest annual update as at 31 March 2019.

## How the funding position is worked out

To assess the funding position of NAPS we look at two components:

- Firstly, at the funds built up from contributions made by BA and the Scheme members plus the investment returns – known as the **assets**;
- Secondly, at the total value of future pension payments promised to Scheme members – known as the **liabilities**.

Working out the assets is easy, it is the value of all the Scheme's investments on a particular date (in this case at 31 March 2018 and 31 March 2019). You can find more details about the Scheme assets in our [2018](#) and [2019](#) Annual Report & Financial Statements. The liabilities are worked out by the Scheme Actuary in a number of ways and require various assumptions to be made, for example about the life expectancy of members and the investment returns we might achieve in future.

We use this information to work out the funding position of NAPS under different scenarios in line with the requirements of the Pensions Act 2004. These include the 'Technical Provisions' assuming the Scheme will continue into the future and that BA will continue to operate and to support the Scheme.

We also assess what the funding position would be if the Scheme had been wound up (i.e. if it came 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.

This doesn't mean there are any plans to wind up the Scheme, it simply helps us to understand the Scheme's financial position.

## Headline results of the 31 March 2018 valuation

The funding level has improved since the last formal valuation to 87.6% (2015: 82.7%) and the funding shortfall ('the deficit') has reduced to £2,399 million (2015: £2,785 million).

Our last funding update, as at 31 March 2017, showed a funding level of 81.1% and funding shortfall

of £3,747 million. The Scheme's financial position therefore improved significantly over the year to 31 March 2018, mainly as a result of favourable returns on the Scheme's assets, deficit contributions received from BA, the closure of the Scheme to future benefit accrual and changes to the assumptions agreed for the 31 March 2018 valuation.

BA will increase its fixed pension contributions to £450 million a year to address the deficit by increasing its current contributions from £25 million a month to £37.5 million a month from April 2020. As a result of these measures, the deficit is expected to be cleared five years from the valuation date (2015: 12.5 years).

BA has also made an additional one-off payment of £250 million to NAPS in December 2019. This relates to a contingent payment mechanism agreed between the Airways Pension Scheme (APS) and NAPS in 2010. As part of the settlement in April 2019 between BA and APS, payment of these funds has now been made to NAPS.

An overpayment protection mechanism has also been agreed under which BA's deficit contributions would be diverted to, and held in, a separate arrangement if the funding level reaches 97% or higher and provided to the Scheme at a future date if they are needed. BA's deficit contributions would be suspended if the funding deficit is cleared earlier than 2023. Should a deficit re-emerge, contributions would restart, along with catch-up payments for any missed contributions.

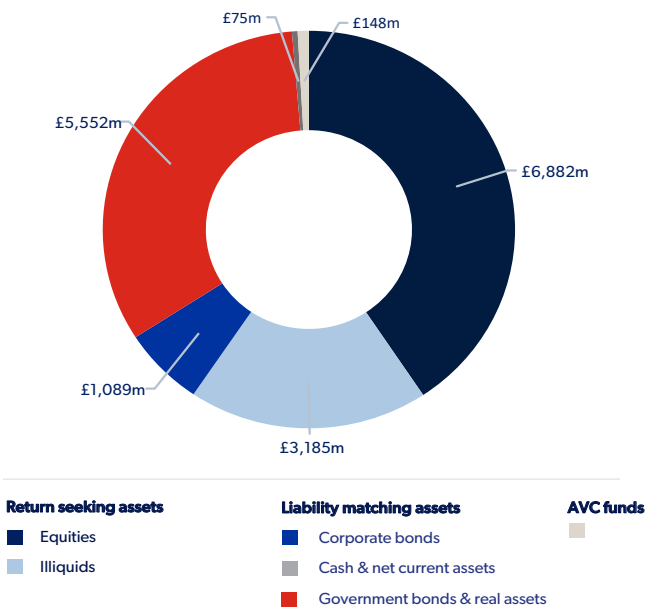
|                 | 31 March 2018 | 31 March 2015 |
|-----------------|---------------|---------------|
| Assets          | £16,931m      | £13,280m      |
| Liabilities     | £19,330m      | £16,065m      |
| Funding deficit | £2,399m       | £2,785m       |
| Funding level   | 87.6%         | 82.7%         |

## The funding and investment strategy

We have a strategy which 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. This gradual de-risking has been built into the assumptions used to calculate the Technical Provisions liabilities of the Scheme.

The funds are invested in a range of assets. As at 31 March 2018 the Scheme's investments were split between two broad categories of 'return seeking' assets (such as equities and illiquids, including property) and 'liability matching' assets (such as cash and bonds). We monitor the investment strategy and update it when appropriate. More detail on the investment approach is contained in the Statement of Investment Principles, available on the 'Scheme documents' page of our website.

### How the Scheme was invested as at 31 March 2018



## Other measures

The Scheme Actuary also provides an estimate of the solvency position (the cost of getting an insurance company to 'buy out' the benefits built up in the Scheme).

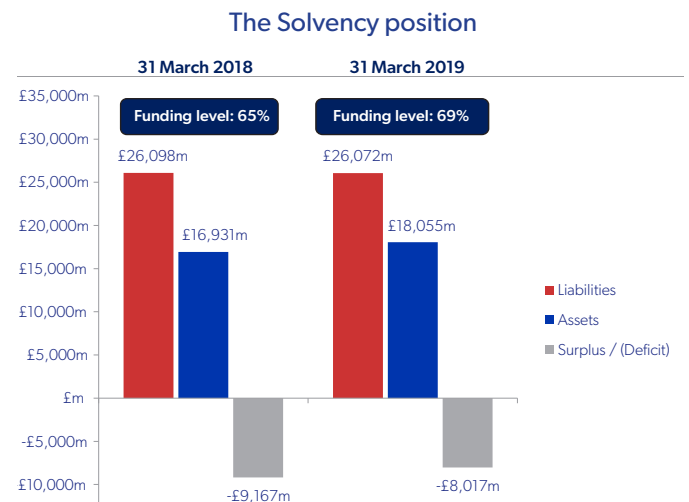
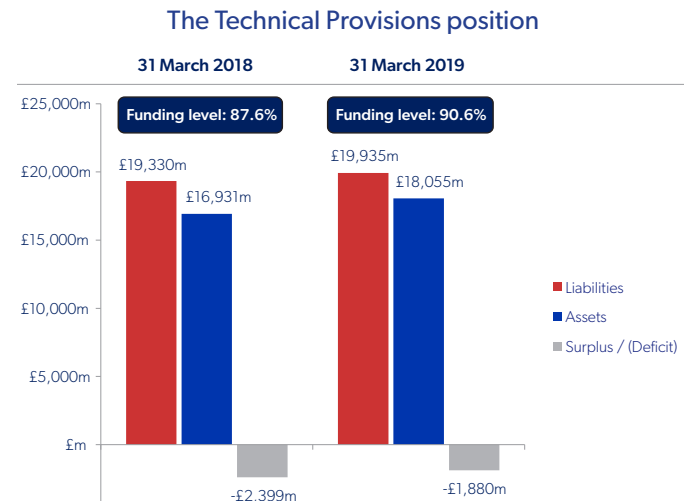
At 31 March 2018, the assets were sufficient to buy an insurance policy covering 65% of members' benefits. This estimate showed that BA would have had to make an additional final contribution of about £9.2 billion (compared to 50% in 2015 and a shortfall of £13.2 billion) to make sure all members' pensions could be paid in full by an insurance company. This shortfall does not affect the pensions being paid out of the Scheme - we have always paid members their full pensions.

## How has the funding position changed since the 31 March 2018 valuation?

In between full valuations, the Scheme Actuary provides an annual update on the development of the Scheme's funding position. Between 31 March 2018 and 31 March 2019 the funding level increased from 87.6% to 90.6% and the deficit reduced from £2,399 million to £1,880 million. At 31 March 2019 the assets were estimated to be sufficient to buy an insurance policy covering 69% of the Scheme's liabilities, with a shortfall of £8 billion.

The improvement is largely due to the investment returns achieved over the year and the £450 million of deficit contributions received from BA. This has more than offset the reduction in expected future interest rates and investment returns.

## Comparison between the 2018 & 2019 Technical Provisions and Solvency positions



# Finding out more

## How NAPS benefits are protected

Pension providers are regulated by a watchdog called The Pensions Regulator. It can intervene and issue directions to trustees and companies to ensure the employer pays money to a scheme or puts another form of financial support in place.

As part of this statement, we must tell you if there have been any payments to BA from the Scheme since the last valuation update as at 31 March 2017, and 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 Technical Provisions, nor has it imposed a Schedule of Contributions.

The Pensions Regulator has more information about valuations and funding statements on its website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk).

## The Pension Protection Fund

The Government set up the Pension Protection Fund to compensate members of occupational schemes if their employer becomes insolvent and cannot cover the cost of providing the scheme benefits. You can find more information on its website: [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk).

## Important to know



### Use of personal data

The New Airways Pension Scheme Trustee Limited (the 'Trustee') holds and processes personal data about Scheme members and beneficiaries to run the Scheme. In doing so, we comply with relevant data protection legislation. Our latest [Privacy Notice](#) is available on our website.



### Find out more

You can find the full NAPS valuation reports for 2018 and 2015 as well as the Annual Reports and Financial Statements on the '[Scheme documents](#)' page of our website.

We regularly publish news and also our Trustee bulletins on the site. If you're registered for our online communications we send you email alerts whenever new information about your NAPS 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):

Via our website:



[www.mybapension.com/naps/contact-us](http://www.mybapension.com/naps/contact-us)



Call us on **020 8538 2100**  
(Mon-Fri, 9am-5pm)



If you need to write to us, our postal address is:  
**British Airways Pensions**  
**PO Box 2074**  
**Liverpool**  
**L69 2YL**

