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ASSOCIATION OF BRITISH AIRWAYS PENSIONERS

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Newsbrief No. 111 March 2018

Will you please consider writing to the Chair of APS? – details below.

British Airways is appealing on two minor points of law against the May 2017 judgment in which BA lost comprehensively against the APS Trustee. The appeal is due to be heard on 1, 2 and 3 May 2018. Meanwhile there appears to be a concerted attempt by those in high places (such as the Governor of the Bank of England) to completely get rid of the RPI. The RPI has been used for many years to protect inflation-linked Government Bonds. It was specifically designed many years ago to protect wages and pensions. The CPI, which is a macro-economic index, was introduced into the UK in 1997 specifically to help us to join the Euro – a project that failed. The CPI was then hijacked for political purposes. It was not designed to protect pensions and is consistently 0.75-1.0% lower than the RPI.

Will you please write to the Chair of the APS Trustee to urgently remind the Trustee that APS members are still eagerly anticipating that, following BA's loss of its appeal, the Trustee will pay discretionary increases from 2013 to 2018 and will continue the policy of returning to the payment of RPI increases by 2023?

An APS pensioner who in March 2011 was on the then average APS pension of £12,700 p.a. will be on £15,220 p.a. after the April 2018 increase is paid. Had we received Colin Marshall's promised RPI increases, that same pensioner would have been on £16,184 per annum – almost £1,000 more. Use of the CPI is slowly but surely driving APS pensioners on lower pensions into poverty. £1,000 is not trivial for a pensioner on a mean APS pension.

A former BA Director, Gwilym Rees-Jones, has sent me a copy of a letter that he has written to Fraser Smart, CEO of BA Pensions, asking him to remind Virginia Holmes, Chair of APS, that APS members continue to wait for the resolution of the dispute initiated by BA between BA and the APS Trustees. Gwilym wrote that APS pensioners would welcome a communication at the earliest opportunity with confirmation that it continues to be the policy of the APS Trustee to return to full RPI indexation by 2023 and that any discretionary increases due for the years 2013 to 2018 will be paid as soon as possible.

It might be worth reminding the Trustee Board that APS beneficiaries are concerned about the way that BA treated the BA-appointed Trustees during the ongoing legal action. In 2014 BA failed in its attempt to make the APS Trustees individually liable for the huge (house-at-risk) costs of defending themselves against BA's High Court attack. By 2017 BA had replaced all of the six BA-appointed Trustees who had voted for discretionary increases. The consequence of BA's record of intimidation of its appointed Trustee Directors (as the Trustees are now called) is that APS beneficiaries are concerned about the pressure that the six BA-appointed Trustee Directors are under to do BA's bidding rather than to act as they should by law in the best interests of the APS beneficiaries.

Please therefore write to Virginia Holmes, Chair of APS, to remind her that you are expecting to be paid your discretionary increases for 2013 to 2018 and to ask her to confirm that it is still the Trustee Board's policy to return to the payment of RPI increases by 2023. It might be worth reminding her that the Trustee's QC pointed out when BA lost the case last year that by the time the discretionary increases are finally paid, over 6,100 (out of 28,000) pensioners will have died without receiving the money that was deemed to be legitimately due to them as the result of Mr Justice Morgan's May 2017 judgment.

Send your letter to Virginia Holmes either by email to fraser.smart@bapensions.co.uk FAO Virginia Holmes or by the Royal Mail, to Virginia Holmes, Chair APS, Whitelocke House, 2-4 Lampton Road, Hounslow, Middlesex, TW3 1HU.

Please help to keep the pressure up. The Trustees have to know that we care very deeply indeed that the RPI promise that Colin Marshall made to us in 1984 should be honoured.

The Closure of NAPS

The news that British Airways is now closing NAPS to future accrual from 1 April 2018 is an unwelcome further nail in the coffin for defined benefit pension schemes. While there is no question that NAPS does have a very significant deficit which must be addressed, it represents a huge impact on the retirement prospects for over 17,000 BA staff in the UK who are active members of the scheme.

BA is taking the opportunity to close both NAPS and BARP (the current defined contribution scheme). Members of both schemes will be transferred into a new defined contribution (DC) scheme, run by Aviva. Those currently in BARP will have their current pensions pots transferred at no charge. Those currently in NAPS will become 'deferred' members of NAPS and will start afresh in the new scheme.

The new DC scheme is improved compared to BARP but it still carries all the risks and costs associated with DC schemes. It moves the risk and the cost of running the scheme entirely from the employer to the employee, making a huge saving for the employer.

ABAP members who are currently active members are strongly encouraged to consider their options for transition into the new scheme very carefully and if necessary, seek professional advice. Unlike in 1984 during the transfer from APS to NAPS, the default option may not be the most beneficial to the individual member.

Former staff who are deferred NAPS members or who are members on benefit may view these changes rather differently, as they are intended to help secure NAPS against future liabilities. However there is still the question of how quickly the deficit can be remedied. There is no doubt that within IAG, BA remains the most profitable company. With NAPS liabilities being capped, it would be good to think that some of the significant savings could be diverted into an improved recovery programme.

There are no proposals to make any alterations to APS. It is possible to speculate that the legally proven robustness of the APS trust deed has deterred BA from attempting the same move for APS active members. There are only a few hundred active members and the numbers reduce significantly year by year as staff retire, so the costs versus the benefits of closing APS to future accrual might only be marginal.

It is regrettable that there will now be a "two tier" status of NAPS, former staff with their expected contractual pensions and serving members with much reduced pension expectations. In this, BA now joins the majority of the UK pension landscape, where the issue of intergeneration fairness will undoubtedly become under much discussion. The remedy ought not to be to reduce all to the lowest common denominator.