

ABAP

Caring for BA pensionable people today and tomorrow

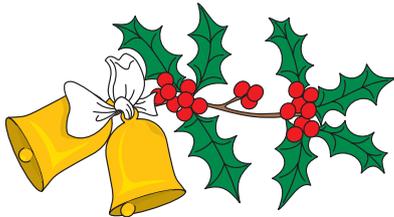


President: George Bell

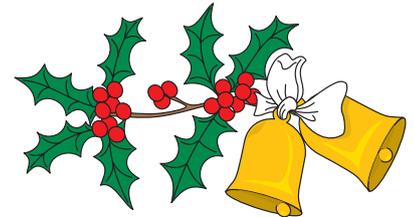
www.abaponline.org

Chairman: Captain Mike Post

The Association of British Airways Pensioners, PO Box 289, Chipping Norton, OX7 9EP



Newsbrief No. 110 December 2017



CHAIRMAN'S INTRODUCTION

How quickly a year passes. This time last year the long, expensive High Court hearing was recently over, in which British Airways had attacked the APS Trustees' behaviour and the professional competence of their advisers. We waited until May 2017 for the Judgment which completely exonerated the Trustees of any wrongdoing and in which the Judge was careful to praise the APS Scheme Actuary for his outstanding ability. British Airways is now using even more shareholders' money to appeal against the Judgment on two technical points. The appeal will be heard in May.

Meanwhile, subject to its Trustee's agreement to the terms, NAPS will be closing to future accrual on 1 April 2018. ABAP is concerned that the illustrations provided in the closure consultation document were inadequate and we have included in this Newsbrief details of our own modelling to hopefully give greater insight into BA's proposals. We also include a copy of a letter that we have written to the Chair of APS and NAPS expressing ABAP's concern about the vulnerability of APS and NAPS beneficiaries to unscrupulous financial advisers seeking to take advantage of the closure of NAPS and the, ultimately unsuccessful, attack by BA against the APS Trustees in 2016.

It was generally agreed that the Magna Carta School in Staines was an excellent venue for ABAP's 2017 AGM. We have therefore booked it again for Thursday 25 October 2018.

Let us hope that 2018 brings some good news. A Merry Christmas to you all.

A BRIEF NOTE FROM GEORGE BELL, OUR PRESIDENT

In August 2017, after my wife passed away I moved home from Reading to live and be looked after by my daughters. Unfortunately, I became ill and I was admitted into the Lincoln County Hospital on the 29th August 2017 for several weeks. Regrettably the documents which had been prepared to advise members and companies of my change of address were sent in error to some ABAP members. The result was a deluge of cards and letters which was overwhelming and consequently I decided it was impossible to thank all individually but to move on to Xmas cards and apologise for the error and the inconvenience caused to members, friends and ex colleagues.

I am now residing in Lincoln and still have a keen interest in ABAP although I am unable to contribute as much as I have done previously.

My personal apology and thanks to all concerned. I wish you all a Happy Christmas and New Year.

NAPS CLOSURE TO FUTURE ACCRUALS - SUMMARY

We stress that nothing in this document should be taken as constituting individual financial advice. It is a summary of results from a mathematical simulation based on the NAPS rules, the proposed DC scheme and Office for National Statistics Life Expectancy tables. The simulation has been prepared to give you a better understanding of the potential impact of the new BARPS options.

However, your individual circumstances may differ from the results of the simulation as it has understandably been built using certain assumptions which may not be borne out by your experience & circumstances in practice. Further, the simulation results have been averaged to provide the expected net lifetime income under various scenarios. As such, if you would like individual advice as to which of the available new BARPS options would produce the best outcome for you, you should consider taking financial advice. You can find an Independent Financial Advisor in your area by logging on to www.unbiased.co.uk

Two major questions are posed by BA's proposals to stop NAPS for further accrual from 1st April 2018.

- What is the best of the various Defined Contribution (DC) options?
- How does this proposed DC scheme compare with NAPS as far as contributions and resulting pension are concerned?

To help answer these questions, we have built a simulation model. The model takes a typical NAPS member's personal characteristics (sex, date of birth, date of joining BA, salary etc). Then it simulates the rest of that member's life, so we can see what happens to their expected net total future income. This comprises Salary, NAPS/DC pension, State pension, minus that member's future NAPS/DC contributions, Income Tax and National Insurance contributions. We also include the member's spouse's NAPS/DC pension and State pension minus Income Tax, plus any child pensions. The simulation results are averaged to get the expected net lifetime income under various scenarios.

A range of member's incomes and ages have been evaluated for the possible DC options stated in the Plan4Pensions document and for the hypothetical case of NAPS continuing for accruals beyond 1st April 2018. Please note that the DC figures released in December are slightly different from the originals.

These are the main conclusions from the model, and again we must stress that you should not rely on them when you make your own choices – your circumstances may be different:

- The DC scheme is a smaller one than NAPS; less money is implicitly paid in by BA and less money explicitly paid in by the member, resulting in smaller pensions coming out.
- It is usually in the member's interest to pay as much as possible into the new DC scheme; the maximum 5% contribution was therefore the best level.
- Transitional arrangement 3 is usually the best option for the member; sometimes it is Transitional arrangement 2, but probably never Transitional arrangement 1.
- If inflation is always below 5%, the proposed zero-inflation pension from the DC account gives a better return for the member than the proposed RPI-inflation pension (this is also true for some inflation rates higher than 5%).

- The ratio of member's pension to contributions, though still greater than 1, falls when NAPS is replaced by the DC scheme. Both NAPS and the replacement DC scheme are generous in that they give back more than the member pays in, however, NAPS is more generous.

One example: a NAPS member joined BA, and NAPS, on the last day NAPS was open for new members, in 2003, when they were aged 18. They now have a salary of £40,000 per annum. They are married, with 2 children, and plan to work for BA until they retire at 65. Here is what happens if NAPS is replaced by the best-option DC. The expected net total future income falls from £2,461,000 to £2,009,000. The member's NAPS/DC contributions paid after 1st April 2018 fall from £153,000 to £98,000. The BA gross pension paid due to contributions made after 1st April 2018 falls from £942,000 to £467,000. All figures are in today's pounds. It is assumed salary rises and DC investment returns are those used in the Plan4Pensions document.

We stress again that this is *not* individual financial advice. It is a summary of results from a mathematical simulation based on the NAPS rules, the proposed DC scheme and Office for National Statistics Life Expectancy tables.

The detailed document, and a spreadsheet can be found on our website: www.abaponline.org

OPEN LETTER FROM MIKE POST AND DAVE GUNNER TO VIRGINIA HOLMES

Virginia Holmes
Chair APS and NAPS Trustees
Via email to Fraser Smart

Dear Virginia,

We learned today from the FT that BA had halted the provision of transfer values for APS and NAPS active members. We assume that the FT report is incorrect and that it was the APS and the NAPS Trustees which made the decision. We were therefore a little surprised not to have been informed by BA Pensions that the two similar items of news announcing the suspensions had been published on the MyBAPension website in November. Are such announcements of new news items not the usual practice?

ABAP has long been concerned about pension mis-selling. On 24 March 2014 The Daily Telegraph was kind enough to publish a letter from Mike Post as follows:

Sir - In the euphoria surrounding George Osborne's liberation of pension pots, has the pension mis-selling scandal been forgotten?

When Margaret Thatcher removed the requirement to belong to company pension schemes in 1988, many sharks fell upon the vulnerable, who were lured out of excellent company pension schemes.

Those sharks and their descendants must now be scenting blood at the prospect of a new feeding frenzy.

Yours etc.

Both reports in the Other News sections of the APS and NAPS MyBAPension website state:
"The decision to suspend the provision of transfer values is driven solely by the desire to maintain service levels across all categories of the membership during an exceptionally busy period."

According to the information provided on the MyBAPension website, the levels of transfers out of NAPS and APS in 2012, 2013, 2014, 2015, 2016 and 2017 were as follows:

NAPS

2012	2013	2014	2015	2016	2017
£34.9m	£47.6m	£40.5m	£78.8m	£246.8m	£224.0m

APS

2012	2013	2014	2015	2016	2017
£9.4m	£5.2m	£5.6m	£8.7m	£9.1m	£31.6m

Whilst the levels of transfer from NAPS are perhaps understandable, have the APS Trustees discussed the exceptionally large figure (£31.6m) of transfers out from APS in the year ending 31 March 2017? There is no comment about this exceptionally high figure in the APS 2017 Annual Report and Financial Statements. APS is a well-funded, robust scheme. Did the APS Trustees consider that the exceptional figure for transfers out of APS during the year ending 31 March 2017 may have been connected with BA's widely-reported attack on the behaviour of the APS Trustees and their advisers during the six-week High Court hearing (which started in October 2016) of the claim that BA had brought against the APS Trustees in 2013? The press reports of the hearing with BA's misconceived allegations of Trustee misbehaviour and adviser incompetence must have been manna for both principled and unscrupulous financial advisers pitching their advice to concerned APS active members.

The judgment on BA's claim was only handed down in May 2017 which was some weeks after the 2017 scheme year had ended on 31 March 2017. As you are aware, the judgment completely exonerated the APS Trustees of any of the bad behaviour which BA had alleged and highly praised the Scheme Actuary whose professional competence BA had challenged. We wonder if the APS beneficiaries who transferred out of APS as the result of BA's allegations in the High Court, all of which were rejected by the Judge, may be able to seek redress in the future?

Given that the decision to suspend provision of transfer values has been stated to be solely due to the desire to maintain service levels, we should be grateful if you could tell us when the APS and NAPS Trustees met to take the decisions to suspend the provision of transfer values to APS and NAPS active members? A copy of the minutes of that meeting would help members to understand the decisions which were made at the meeting on behalf of the APS and NAPS beneficiaries.

Given ABAP's concern about the financial vultures circling to strip BA pensioners of their money and future pension rights, as expressed in the letter of 24 March 2014, can you please tell us what the APS and NAPS Trustees have done to protect beneficiaries of both schemes from the activities of the unscrupulous.

With thanks in anticipation.

Yours sincerely,

Mike Post *Former Trustee APS and NAPS, Chair ABAP*
David Gunner *Former Trustee NAPS, Committee Member ABAP*

CHAIRMAN'S ADDRESS TO 2017 ABAP AGM

The Committee

The ABAP Committee is essential to the running of ABAP and I am grateful for their support. Early this year Chris Knowles decided that, with his many other commitments, he was no longer able to bear the burden of the position of Hon Treasurer and Graham Tomlin kindly agreed to take over. And just after the papers for this AGM were published Mike Macdonald decided that owing to other pressing burdensome commitments he was no longer able to remain a committee member. I thank both Chris Knowles and Mike Macdonald for their past service.

May I make a plea? ABAP needs young, active committee members from both APS and NAPS. If there is any way that you can see your way to help, please volunteer and please ask your friends to join us. It is the nature of a voluntary pensioners' association that we lose members on a regular basis. Please help to address this fact of life. We are looking for new young blood, especially NAPS members, with expectations of long retirements and secure pensions!

APS

APS Trustees Court Case

When we last met for our AGM, the QC representing British Airways had just completed his remarkable five-day-long opening address in BA's long-awaited High Court case against the APS Trustees. BA's attack against the Trustees, six of whom were BA appointees, was astonishing and, I believe, unprecedented. I have read the full transcript of every single day. The case lasted for 31 days or over 6 weeks and the result was announced in a very thorough judgment handed down in May this year. The Judge completely exonerated the APS Trustees of any of the wrong doing that BA had alleged at length and confirmed that the Trustees' decision to pay discretionary increases was totally legitimate.

I subsequently heard a lawyer describe the result of the case as a 10-0 win to the APS Trustees. However, shortly after the judgment was handed down, BA announced that it was appealing on 2 technical points. The Judge allowed the appeal because, he explained, if he did not allow the appeal, BA would apply to appeal anyway and, thanks to the legal process involved, the legitimate payments to pensioners would be delayed even longer than they have been already. The Trustee's QC had pointed out to the Judge that, as a consequence of BA's legal action which started in 2013, over 6,000 pensioners will have died before the case is finally settled without receiving the legitimate payments to which they had been entitled as a consequence of the entirely legitimate decisions of the Trustees. As it is, the result of BA's appeal will not be known until mid-2018.

I would now like to pay tribute to all of the APS Trustees, both appointed and elected, who stood up to BA's shameless intimidation. To have been threatened by BA with the risk of bearing the costs of the case, in other words the risk of putting their houses on the line on behalf of APS beneficiaries, cannot have been a pleasant experience for any of the Trustees. The Chancellor of the High Court, giving judgment in 2014, in the long preparation for the main hearing, observed that it was "entirely unrealistic and unreasonable" to expect the APS Trustees to conduct their defence against BA without a protective cost order.

I would also, especially like to thank those individual Trustees who gave evidence in the High Court. Appearing in the witness box to be cross-examined by a hostile barrister must have been a very stressful experience. Two of them are here today, Paul Douglas and Stephen Mallett. Thank you both.....

I should also like to pay tribute to Michael Pardoe, the APS Scheme Actuary, who spent four days in the witness box. In his Judgment the Judge was very careful to praise Michael, whose professional competence BA had attacked. The Judge described Michael Pardoe as in fact “an actuary of outstanding ability who had behaved entirely appropriately”.

The Appeal Judgment should be handed down in the middle of 2018. Let us hope that this will be the end of the matter and that, having squandered many millions, possibly tens of millions of pounds, on legal action, when the money could have been better applied to pensions, BA will let the matter rest and permit the APS Trustee to carry through its policy of returning to RPI increases by 2023, without putting more obstacles in the Trustee’s path. However, there is a problem. Since the 2013 decision to pay discretionary increases was made, BA has replaced all of its six appointed Trustees. BA now has a record of unsuccessfully suing even its own Trustee appointments. Would you be happy to be an APS or NAPS BA-appointed Trustee-director given BA’s recent track record and the absolute legal obligation of each individual Trustee-director to act in the best interests of the beneficiaries? I know that I would not be.

The Pensions Regulator has recently asked the APS Trustee to finalise the 2015 Valuation which should have been signed off in June 2016. Also the APS Trustee has until the 31 October, which is next Tuesday, to publish its 2017 Annual Report and Financial Statement. As of this morning neither the APS nor the NAPS Annual Reports and Financial Statements have been published. Unless the 2015 Valuation is complete as requested, the Members will continue to be provided with financial information on the health of APS that is over 5 years out of date. So much for transparency.

NAPS

Last month BA announced that there was to be a 60-day consultation on the proposed closure of NAPS to future accrual. This would mean that existing NAPS pensioners will keep receiving the pensions that they were promised but that current BA employees would, in effect, become deferred pensioners of NAPS from the closure date. The future pensions of current NAPS employees will be based on their pensionable pay and their years of service at the closure date.

This is essentially an industrial relations matter between BA and its current employees and the effect on current employees may be devastating. Some current employees have calculated that they will be losing hundreds of thousands of pounds of retirement income each. It is surprising, (or perhaps not surprising!), to see BA using the RPI in the assumption used in its case studies of NAPS members who would move from NAPS to the new Defined Contribution Scheme that BA is proposing. Since pensions are often described as deferred pay, current BA employees are being offered a significant wage cut. ABAP has seen the consultation document and it is a shallow sales pitch. In a Defined Contribution scheme, such as BA’s proposed replacement pension scheme for NAPS, the employees bear all the investment risk in contrast to a final salary scheme such as NAPS where it is borne by the employer. Yet the consultation blithely remarks that such Defined Contribution schemes “have become more popular”! Which begs the question, “More popular with whom?”

The issues are complex. Governments of all shades have failed to resist the impulse to meddle – for example causing problems to employees as the result of frequent changes to the lifetime saving limit. The problems and dilemmas facing NAPS employees are complicated. If NAPS were to fall into the Pension Protection Fund, more highly paid current NAPS employees would be exposed to the risk of losing substantial parts of their pensions. The NAPS 2016 Annual Report and Financial Statement shows that in 2016 NAPS actually paid out £61.5 million more in pensions and transfers out of the scheme than it received from employer and employee contributions. That is not a sustainable position. It reveals that NAPS current employees have already been voting with their feet. BALPA, the GMB and Unite have joined together to decide how to resist this blow to current employees’ prospects. It is ironic that BA has

started a consultation on closing NAPS at the very moment when there is the hint of a suggestion that the low interest rate regime that has done so much damage to pension schemes over the past 10 years is finally about to start on an upward path.

ABAP wishes NAPS current employees well. ABAP has produced a short commentary on the NAPS consultation. Copies of the commentary are available here today.

RPI/CPI

In July I wrote to the Chancellor of the Exchequer pointing out that in 1996 the CPI was introduced into the UK as a macroeconomic index to allow comparison of inflation rates between European countries to enable the UK to join the Euro. We never did join the Euro. In my July letter, I asked the Chancellor if, now that we are leaving the EU, the UK would be abandoning the CPI? I pointed out that the CPI is an EU-designed index which never was created to protect citizens against inflation. The Chancellor has not had the courtesy to reply. Is it any wonder that voters have become cynical about the behaviour of opportunistic politicians and employers?

VPO

Dayne Markham continues to keep the VPO pot on the boil. Because of the litigation between BA and the APS Trustees beneficiaries have been kept unaware of the current financial health of APS. We have not been in a position to ask the Trustee to reconsider the position of pensioners on the VPO who have been severely disadvantaged by the unanticipated improvements in pensioner mortality experience since their retirement. Thank you Dayne for your persistence.

GMP

In January this year we responded to the Government's Consultation on the equalisation of the Guaranteed Minimum Pension in public service pension schemes. We believe that it is discriminatory for public service pensioners to benefit from GMP inflation protection whilst private sector pensioners such as

BA pensioners do not. We made this clear. The Government is scheduled to respond to the Consultation Responses early in the New Year.

COMMUNICATIONS

Looking forward to 2018

The General Data Protection Regulation (GDPR) will apply in the UK from 25 May 2018.

We understand that ABAP is compliant with the GDPR so far as our email communications via Jetnet go, but it is not compliant so far as our hard copy communications with members are concerned. We have to be compliant by 25 May 2018. To this end we have been looking at software packages to enable us to be compliant and we are taking advantage of the opportunity to hopefully streamline our membership administration.

So, please do not be surprised if you receive communications from ABAP, hopefully in the New Year, asking you to respond with your communication preferences. Please do respond even if you think that the questions that we are obliged to ask by the new regulations are superfluous.

Another problem we have been having is the demise of Touchdown and its publication of Absent Friends. Absent Friends is now published on the Retired Staff Association website. My thanks to Mike Austin for his help in sorting this out and to David Gunner for liaising with BA Pensions to try to positively identify ABAP members who have died. ABAP realises that it is distressing for surviving partners to receive

communications which have been sent to their deceased partners and ABAP strives to avoid causing distress. I should like to thank Graham Tomlin, David Gunner and David Waddington for their input to this work.

Concluding Remarks

Finally, I have decided to give notice that I will be standing down as chairman of ABAP before next year's AGM. The reasons are personal. My wife and I have been caring for my 101-year-old mother for the past few years and we need some time to enjoy our retirement before we too become incapacitated! It has been a honour to be the Chair of the Association and I hope that you will appreciate the reason for my departure. Thank you for all the support over the past few years. I wish the Association every success in the future. END

Formal record of the AGM proceedings

The AGM opened at 11.08. After a short briefing on exits and alarm procedures by Mike Post, the agenda was as follows:

Resolution 1. To receive the report of the Treasurer and approve the Accounts for the year ended 30th June 2017. Report presented by Graham Tomlin.

Acceptance proposed by David Reynolds, seconded by Mary Hegarty. Approval was unanimous

Resolution 2. To approve subscription levels for the coming year 2018-2019. The current levels to remain unchanged.

Acceptance proposed by Robin Shaw, seconded by George Clarke. Approval was unanimous

Resolution 3. To elect the Members of the Committee for the coming year and consider the co-option of other members.

Acceptance proposed by Ken Jones, seconded by Ken Strain. Approval was unanimous.

After the resolutions and reports, there were questions and comments from the floor on a variety of topics, including: the court case and BA appeal; outcomes for those who die before the appeal is heard, and their estates & dependents; IAG ownership; British Caledonian pensions; multiple thanks to Mike Post for his efforts and Chairmanship;

The meeting closed at 12.12.

The number of proxies submitted by post and email was 433. 351 by post & 82 by email.