

Important information for NAPS Deferred members

NAPS factor changes from 1 April 2020

The Scheme's Actuary (an independent expert appointed by the Trustee) regularly reviews the factors used to work out specific pension options and has updated certain factors, which could affect pension options for members who have not yet retired or drawn their pension benefits. If you are planning to draw your pension benefits around this time, you may wish to reconsider your plans in light of these changes. BA Pensions will provide details of the revised retirement options available for members who confirm that they wish to draw their pension from a date after 1 April 2020.

Action you may need to take

We are making you aware of these changes as it could influence your decision as to when to draw your pension. As with any decision relating to your pension benefits, you may wish to consider seeking independent financial advice. If you wish to draw your pension, please let us know as soon as possible.

Drawing pension early (before Normal Retirement Date, 'NRD')

Where members are drawing their pension before their Scheme NRD, the pension payments are reduced to take into account that the pension will be paid for a longer period of time. For members drawing their pension on or after 1 April 2020, the reduction will be lower, resulting in a higher pension. As an illustration, early retirement pensions could be up to 3.5% higher for members whose NRD is age 60 and who choose to retire five years before their NRD, but this will vary for each individual.

Drawing pension late (after NRD)

Members who choose to delay drawing their pension until after their Scheme NRD receive late retirement increases instead of the yearly, standard, Scheme increases from NRD up to the date they choose to draw their pension. The current late retirement increases will be applied to pensions up until 31 March 2020. From 1 April 2020, future late retirement increases are likely to be around 0.5% lower per year, but this will vary for each individual.

Cash Equivalent Transfer Values

If you have a deferred pension entitlement in NAPS, the cash equivalent transfer value is the cash value you have built up in a pension scheme that can be transferred to another pension arrangement. At any time before you start to draw your pension, you can ask us to transfer the value of your deferred pension to another registered pension arrangement. There are many things to consider when deciding whether to transfer your benefits and, in most cases, you must take professional advice from an independent financial adviser before deciding whether to transfer.

From 1 April 2020, cash equivalent transfer values available from NAPS are estimated to be up to 30% higher for members who have at least 15 years remaining before reaching normal retirement age (NRA), gradually reducing to around 1% higher for members who have reached their NRA. This is due to the cash equivalent transfer value basis being updated to reflect the

Scheme's investment strategy of de-risking of the Scheme's investments since the last review, which has a greater impact for members further from their NRA.

Individual cash equivalent transfer value calculations include an allowance for current market conditions, which can vary significantly from month-to-month. So it is possible for quotations provided after 1 April 2020 to be lower, rather than higher, than quotations provided up to 31 March 2020.

Exchanging pension for a tax-free cash sum at retirement

In our [Summer 2019 Trustee bulletin](#), we reported that the rates for exchanging pension for a tax-free lump sum at retirement were improved from 1 October 2019.

A note about future factor reviews

The changes to the Scheme's retirement factors on 1 April 2020 will generally result in higher pension benefits being paid. The Scheme's factors are reviewed regularly and the retirement factors may therefore fall or rise in the future. Changes to retirement factors usually take effect from a future date and are not backdated. As well as this, we always aim to give members as much notice as possible of any change to provide greater transparency and confidence for members who are thinking about drawing their NAPS pension benefits.

From the Trustee of the New Airways Pension Scheme

7 January 2020