Letter from the APS Trustee and the NAPS Trustee issued to all Members and Pensioners on 2 June 2021

We’re changing our investment manager

Dear APS member

We are writing to inform you about our decision to change our investment manager for Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) (“the Schemes”).

We have outsourced the investment management services for the Schemes from our in-house provider, British Airways Pension Investment Management Ltd (BAPIML), to BlackRock, a leading global investment manager.

- After undertaking an extensive and rigorous review, our assessment is that the transfer to BlackRock will deliver the best value for the Schemes into the future.
- The transition to BlackRock took place on 1 June 2021.
- Your pension benefits will continue to be administered and paid by BA Pensions. Outsourcing the investment management of the Schemes’ investment assets does not involve any changes to the pension benefits paid to you now or in the future.

Why now?
As trustees of the Schemes, one of our many responsibilities is to make sure the Schemes’ investments are well-managed and that they have sufficient funds to pay the expected pension benefits due to members over their lifetimes.

As the Schemes have continued to mature, their investment needs have changed considerably, with money gradually moving out of more risky investments and into investments that will provide an income to match the pension benefits paid out.

In recent years, the intensity of regulations and the operational costs associated with investing have also increased. As a result, many UK pension schemes are looking externally for an investment manager with the scale and resources to take on these challenges.

Our in-house team at BAPIML has successfully managed the Schemes’ investments for many years. However, to ensure continued delivery against their respective investment strategies, we have undertaken a review of the investment management of the Schemes to find the right partner to manage and deliver the best long-term value for the Schemes and our members.

Why BlackRock?
Our review involved a rigorous and competitive tender process, considering several highly qualified investment management firms. We looked for a provider with a market-leading offering, a strong commitment to the UK and a real understanding of the needs of our two Schemes.

In BlackRock, we have found a partner with a heritage in the UK that spans more than five decades and today manages the savings of more than 10 million people. BlackRock understands the needs of UK pension schemes, and has the scale and size to manage the Schemes’ investments.
BlackRock has an exceptional track record of helping millions of people in the UK and globally plan and invest for life events to build savings that serve them throughout their lives.

**The benefits to you**

This outsourcing agreement ensures continuity of investment management while delivering enhanced investment benefits for the Schemes:

- The advantage of BlackRock’s global investment expertise and risk management technology will bring significant cost benefits and operational efficiencies, maximising value for our Schemes.
- The Schemes’ investments will be managed by a dedicated team of highly experienced BlackRock and transferring BA Pensions professionals, ensuring the continuity of key institutional knowledge of the Schemes. The team will also have the resources, technology and expertise that comes with being part of the world’s largest asset manager.
- This partnership between the trustees and BlackRock will enable the Schemes’ investments to swiftly adapt as the individual needs of the Schemes continue to evolve.

Environmental (including climate change), social and governance (ESG) issues represent long-term risks that we believe are important and need to be managed over our long-term payment horizon. We therefore integrate ESG considerations into our decision-making and reporting processes across the Schemes’ investments. Where consistent with our fiduciary duties and the investment strategies for the Schemes, we actively engage and use our voting rights to drive up ESG standards in the organisations in which we invest. You can find more information about this in our Responsible Investment Policy. You can find this on our website [www.mybapension.com](http://www.mybapension.com) in the Responsible Investment section of our Scheme documents page.

This outsourcing agreement will also ensure the Schemes’ investments will be well-positioned to benefit BlackRock’s expertise in sustainable investing. BlackRock has made sustainability its standard for investing, based on its belief that integrating sustainability can help build more resilient investment portfolios and achieve better long-term, risk-adjusted returns. BlackRock is committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, and it is taking a number of steps to help investors prepare their investment portfolios for a net zero world.

We are looking forward to working with the BlackRock Sustainable Investing team and the BlackRock Investment Stewardship team to continue to evolve our approach.

We have complete confidence in our selection of BlackRock for the next stage of your Scheme’s journey. Delivering enhanced investment benefits for our members, at a lower cost, will provide value for the Schemes and contribute to the long-term security of your pension benefits.

**Jointly issued by:**

The Trustee of Airways Pension Scheme and the Trustee of New Airways Pension Scheme.

2 June 2021
**Q&A**

This Q&A provides more information about the change of investment manager.

**Scheme members**

**Will the transfer affect my pension or any benefits paid to me from my Scheme?**
Only the management of the Schemes’ investment assets has transferred to BlackRock. The move to a new investment manager does not involve any changes to pension benefits paid to our members now or in the future.

**Do I need to take any action?**
There is nothing you need to do. Your pension benefits will continue to be administered and paid by BA Pensions.

**Will I receive investment statements about my pension from BA Pensions or BlackRock?**
The team at BA Pensions will continue to provide yearly updates from your Scheme’s Trustee about the Scheme’s investments, such as the yearly Trustee’s Report and Financial Statements and Summary Funding Statements.

**Does the transfer have any impact on any of the APS buy-in insurance arrangements?**
The outsourcing of the Scheme’s investments does not affect the buy-in insurance arrangements that are already in place in any way.

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**The transfer to BlackRock**

**Why are the Trustees changing investment provider, and why now?**
It is the responsibility of the Trustees to ensure the Schemes’ investments are well-managed and have sufficient funds to pay the expected pension benefits due to members over their lifetimes.

As the Schemes have continued to mature, their investment needs have changed considerably in recent years. Combined with external drivers such as rising systems costs and increased regulation, the Schemes’ Trustees decided to partner with an external manager to achieve the best outcome for their members.

The in-house team at BAPIML has successfully managed the Schemes’ investments for many years. However, to ensure continued delivery against their respective investment strategies, the Trustees have undertaken a review of the investment management of the Schemes to find the right partner to manage and deliver long-term value for the Schemes.

**Were there performance issues with BAPIML that led to this transfer being undertaken?**
Operating as our in-house investment manager, BAPIML has delivered excellent investment performance and stewardship for the Schemes over many years.

As Roger Maynard, Chair of the APS Trustee and NAPS Trustee, noted in our press release issued on 2 June 2021, this partnership is the necessary next step in the evolution of the Schemes as they look to enhance their respective investment strategies.
In BlackRock, the Trustees have identified an asset manager that will ensure the continued focus on delivering enhanced oversight, investment management and long-term value for members.

**Is this a cost-saving exercise?**

BA Pensions decided to partner with an external manager to evolve and enhance the investment management of the Schemes into the future, all of which are set to bring cost benefits, investment excellence and operational efficiencies that will maximise value for members.

**What will change as part of this agreement?**

The agreement involved the outsourcing of the investment management services for both Airways Pension Scheme and New Airways Pension Scheme from our in-house provider, British Airways Pension Investment Management Ltd (BAPIML), to BlackRock, a leading global investment manager.

**Who is BlackRock?**

BlackRock is a premier provider of global investment management services and financial technology. BlackRock’s purpose is to help more and more people experience financial wellbeing, helping millions of people build savings that serve them throughout their lives by making investing easier and more affordable.

For additional information on BlackRock, please visit [www.blackrock.com/corporate](http://www.blackrock.com/corporate)

**Why did the Trustees select BlackRock ahead of other big-name competitors?**

In April 2020, the Trustees of the Schemes undertook a strategic review of the BAPIML business. The review involved a rigorous and competitive tender process, considering several highly qualified investment management firms.

The Trustees looked for a provider with a market-leading offering, a strong commitment to the UK pensions arena and a real understanding of the needs of the Schemes.

BlackRock has a long presence in the UK, understands the needs of UK pension schemes, and has the scale and size to manage the APS and NAPS investments.

**What has transferred to BlackRock?**

The investment management in respect of c. £21.5 billion of the assets of Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) has transferred to BlackRock.

At the last actuarial update, APS’ assets stood at £7.4 billion. A high proportion of APS’ liabilities are insured through an insurance “buy-in” policy with Legal and General Investment Management. The investment management of the remaining assets of around £2.1 billion transferred to BlackRock on 1 June 2021.

At the last actuarial update, NAPS’ assets stood at £19.4 billion. The investment management of these assets transferred to BlackRock on 1 June 2021.

**Have the Schemes’ assets transferred to an existing investment fund with BlackRock?**

The assets are held in segregated BlackRock accounts.
Additional Voluntary Contributions (AVCs)

Will the existing AVC funds and options be maintained?
AVCs are additional voluntary contributions. The BA Pensions AVC Plan includes three AVC investment Funds. You can find out more about these Funds in our ‘AVC Plan – information leaflet’, within the ‘AVC Funds’ section of your Scheme website.

The three AVC Fund options will continue to be available to members who have an existing AVC Account.

Will members have access to a wider range of AVC funds following the transfer?
The Scheme rules govern the provision of our three AVC Funds (the Short-dated Gilts Fund (SGF), the Equity Biased Fund (EBF) and the Mixed Portfolio Fund (MPF)). It is not expected that the range of AVC Funds available will change following the transfer to BlackRock.

Will the investment of the existing AVC Funds change following the transfer?
The investment objectives of our two AVC funds that produce a return in the form of interest, the Short-dated Gilts Fund (SGF) and the Equity Biased Fund (EBF), will not change. The interest rates on SGF and EBF accounts vary from year to year, but the value of investments in these funds cannot go down.

The Mixed Portfolio Fund (MPF) is similar to a unit trust fund, which means members’ investments are used to buy units of stocks, shares and bonds. The value of MPF investments can go down or up depending on the stock market performance in future years.

As part of outsourcing the investment management of the Schemes’ assets, the management of the MPF investments will transfer to several equivalent BlackRock Funds. The BlackRock Funds have produced broadly equivalent investment returns to those achieved by the MPF historically. However, the asset allocation policy set by the trustees for the MPF has not changed. The policy sets out the percentage of MPF assets to be held in each asset class (currently, the fund invests 80% of the assets in UK and overseas equities, 18% in bonds and 2% in cash). The Trustees set the investment objective for the MPF, and it is reviewed every three years.

Where can I find more information about the BlackRock funds?
If you have AVCs, we will include details of the BlackRock Funds along with your 2021 AVC statement in the coming weeks.

Where to find out more

Where can I find out more information?
If you have any further questions not covered by the Q&A, please contact us.

- BA Pensions’ member website: www.mybapension.com
- 020 8538 2100 (9am to 1pm, Monday to Friday)
- BlackRock website www.blackrock.com/corporate#