Actuarial valuation as at 31 March 2024

Airways Pension Scheme

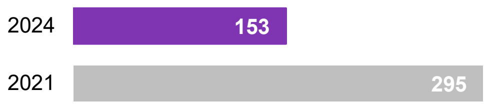
22 April 2025

Summary

The main results of the Scheme's actuarial valuation are as follows:

- Technical provisions funding level as at 31 March 2024 has decreased to 103.0% (2021: 104.2%)

- Surplus of assets relative to technical provisions as at 31 March 2024 has decreased to £153 million (2021: £295 million)



- As the Scheme is in surplus as at 31 March 2024, no recovery plan is required.

- The Scheme Actuary's statutory estimate of solvency as at 31 March 2024 has increased to 94.5% (2021: 94.2%)

- The rate of Company contributions required to meet the increase in technical provisions arising from the accrual of future service benefits has decreased to 34.1% of Pay for Contribution Purposes (2021: 69.7%).

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Throughout this report the following terms are used:

Scheme
Airways Pension Scheme

Trustee
Airways Pension Scheme Trustee Limited

Company
British Airways plc and other statutory employers

Trust Deed & Rules
The Scheme's Consolidated Trust Deed and Rules dated 28 September 2020

Settlement Agreement
The Settlement Agreement dated 8 April 2019 between the Company and the Trustee, as subsequently amended

Additional terms are explained in the Glossary on pages 23 & 24

Introduction

Scope

This report is the actuarial valuation of the Airways Pension Scheme as at 31 March 2024 and I have prepared it for the Trustee. As noted in the Limitations section of this report, others may not rely on it.

The actuarial valuation is required under the terms of Clause 11 of the Trust Deed & Rules and Part 3 of the Pensions Act 2004; a copy of this report must be provided to the Company within seven days of its receipt, along with any recommendations in accordance with Clause 11(a) of the Trust Deed & Rules.

The main purposes of the actuarial valuation are to review the financial position of the Scheme relative to its statutory funding objective and to determine the appropriate level of future contributions.

The report explains the financial position of the Scheme at 31 March 2024 using several different measures of its liabilities and how it has changed since the previous valuation at 31 March 2021. It also describes the strategy that has been agreed between the Trustee and Company for financing the Scheme in future and provides projections of the funding position to the expected date of the next valuation. Finally, it sets out additional information related to the actuarial valuation of the Scheme as at 31 March 2024, including risks faced by the Scheme, membership data and asset information.

This report and the work involved in the actuarial valuation are within the scope of and comply with the Financial Reporting Council's Technical Actuarial Standards 100: General Actuarial Standards and 300: Pensions. This confirmation is provided on the basis that this report conveys the results of the calculations required under the Pensions Act 2004 and is not intended to support any decisions.

Next steps

The Trustee is required to disclose to members, in a summary funding statement, certain outcomes of this actuarial valuation within a reasonable period. Members may also request a copy of this report.

The financial position of the Scheme and the level of Company contributions to be paid will be reviewed at the next actuarial valuation, which is expected to be carried out as at 31 March 2027.

In intervening years the Trustee will obtain annual actuarial reports on developments affecting the Scheme's assets and technical provisions. The next such report, which will have an effective date of 31 March 2025, must be completed by 31 March 2026.

Adam N Boyes
Chartered Actuary (Fellow)
Towers Watson Limited, a WTW Company
22 April 2025

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Quality Assurance Scheme

Limitations

Third parties

This report has been prepared for the Trustee for the purpose indicated. It has not been prepared for any other purpose. As such, it should not be used or relied upon by any other person for any other purpose, including, without limitation, by individual members of the Scheme for individual investment or other financial decisions, and those persons should take their own professional advice on such investment or financial decisions. Neither I nor Towers Watson Limited accepts any responsibility for any consequences arising from a third party relying on this report.

Except with the prior written consent of Towers Watson Limited, the recipient may not reproduce, distribute or communicate (in whole or in part) this report to any other person other than to meet any statutory requirements.

Data supplied

The membership data as at 31 March 2024 was provided by the Scheme's administrators, BA Pensions.

The Trustee bears the primary responsibility for the accuracy of the information provided, but will, in turn, have relied on others for the maintenance of accurate data, including the Company who must provide and update certain membership information. Even so it is the Trustee's responsibility to ensure the adequacy of these arrangements. I have taken reasonable steps to satisfy myself that the data provided is of adequate quality for the purposes of the investigation, including carrying out basic tests to detect obvious inconsistencies. These checks have given me no reason to doubt the correctness of the information supplied. It is not possible, however, for me to confirm that the detailed information provided, including that in respect of individual members and the asset details, is correct.

In particular, in relation to the assets, we have based our calculations on the Trustee Report & Accounts provided by BA Pensions. We understand that the asset value has been assessed on an ongoing basis. It should be noted that if all of the Scheme's assets were to be realised at short notice, the amount raised may be lower than the value in the asset statement. This is particularly the case for the Scheme's illiquid assets and buy-in policies where, in the unlikely event of them being terminated, the surrender value may be significantly lower than the amount required to replace them.

This report has been based on data available to Towers Watson Limited as at the effective date of the actuarial valuation and takes no account of developments after that date except where explicitly stated otherwise.

Some of the member data (such as date of birth and salary) required for the running of the Scheme, including for paying out the right benefits, is known as 'personal data'. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on those who exercise control over the data (known as 'data controllers' under the Data Protection Act). Data controllers would include the Trustee of the Scheme and may also include the Scheme Actuary and Towers Watson Limited, so we have provided further details on the way we may use this data on our website at http://www.wtwco.com/personal-data.

Assumptions

The choice of long-term assumptions, as set out in the Scheme's Statement of Funding Principles dated 22 April 2025 is the responsibility of the Trustee, in agreement with the Company, after taking my advice. They are only assumptions; they are not predictions and there is no guarantee that they will be borne out in practice. In fact I would expect the Scheme's experience from time to time to be better or worse than that assumed. The Trustee and the Company must be aware that there are uncertainties and risks involved in any course of action they choose based on results derived from these assumptions.

The funding of the Scheme is subject to a number of risks and it is not possible to make an allowance for all such risks in providing our advice. Unless stated, no explicit allowance has been made for any particular risk. The Trustee has considered how climate-related risks might manifest themselves within the Scheme and the assumptions adopted for the funding of the Scheme are intended to contain an appropriate degree of prudence taking into account these risks.

Further information on the main risks affecting the Scheme and the actions taken to manage them is set out in the Additional Information section.

Funding

Statutory funding objective

The Trustee's only formal funding objective is the statutory funding objective under the Pensions Act 2004, which is to have sufficient and appropriate assets to cover the Scheme's technical provisions.

The technical provisions are calculated by projecting the benefits (which are mostly pension payments) expected to be paid in each year after the valuation date and then discounting the resulting cashflows to obtain a present value. Benefits accrued in respect of service only up to the valuation date are taken into account in this calculation (although an allowance is made for an assumed level of future pensionable earnings increases for employed members). The main benefits taken into account in this actuarial valuation are summarised in the Additional Information section of this report.

The projections allow for benefit payments being made from the Scheme over the next 50 or so years. Most of these payments depend on future increases in price inflation statistics subject to specified limits.

The method and assumptions for calculating the technical provisions as at 31 March 2024 have been agreed between the Trustee and Company and are documented in the Statement of Funding Principles dated 22 April 2025. These methods and assumptions implicitly assume that the Scheme is not discontinued.

The benefits covered by Artemis, Concerto and Delius insurance contracts are treated consistently within both the assets and the liabilities with their valuation based on the values in the Scheme's audited Financial Statements dated 24 September 2024.

Financial assumptions

The table below summarises the main assumptions used to calculate the Scheme's technical provisions for this and the previous actuarial valuation.

Financial assumptions	**31 March 2024 % pa**	31 March 2021 % pa
Discount rate	**WTW gilt yield curve**	WTW gilt yield curve
RPI inflation	**WTW gilt yield break-even inflation curve**	WTW gilt yield break-even inflation curve
Pay increases	**RPI[1]**	RPI[1]
Pension increases[2]		
– Pensions Increase (Review) Orders (in deferment and payment)	**RPI less 0.8% pa for increases up to and including 2030, RPI less 0.267% in April 2031, and RPI less 0.0% pa from 2032[3]**	RPI less 0.8% pa for increases up to and including 2030, RPI less 0.267% in April 2031, and RPI less 0.0% pa from 2032[3]
– Post 1988 GMP in payment with an annual cap of 3% and a floor of 0%.	**RPI less 0.8% pa for increases up to and including 2030, RPI less 0.267% in April 2031, and RPI less 0.0% pa from 2032[4]**	RPI less 0.8% pa for increases up to and including 2030, RPI less 0.267% in April 2031, and RPI less 0.0% pa from 2032[4]
– APS I-V pensions in payment with an annual cap of 2.5% and floor of 0%	**RPI less 0.8% pa for increases up to and including 2030, RPI less 0.267% in April 2031, and RPI less 0.0% pa from 2032[4]**	RPI less 0.8% pa for increases up to and including 2030, RPI less 0.267% in April 2031, and RPI less 0.0% pa from 2032[4]

[1] Pay increases for members who have not elected to link their Pay for Pension Purposes to increases in their Pay are assumed to be in line with Pensions Increase (Review) Orders.

[2] These assumptions are derived from the RPI assumption and the long-term expected differential between RPI and pension increases at the relevant valuation date, adjusted for the known timing of the actual pension increase and the relevant caps and floors for each pension increase type applied to the forward rates. Allowance has been made for the known pension increase in the April immediately following the valuation date (with no allowance for any known increases being different from those assumed thereafter).

[3] The income streams in respect of pensions covered by the Artemis, Concerto and Delius contracts are assumed to increase in line with RPI with no adjustment, subject (where relevant) to the annual floor applied to the forward rates.

[4] The income streams in respect of pensions covered by the Artemis and Concerto contracts are assumed to increase in line with RPI with no adjustment, subject (where relevant) to the annual caps and floors applied to the forward rates.

Demographic assumptions

The key demographic assumptions used to calculate the technical provisions are the mortality rates that are assumed to apply in the year following the valuation date (the 'base table' of mortality) and the allowance for future reductions in mortality rates. The base tables of mortality assumed at 31 March 2024 and 31 March 2021 are summarised below. These are based on standardised tables of mortality rates which are determined by reference to historic experience of occupational pension schemes. These tables have been calibrated, based on the results of a Generalised Linear Model (GLM) mortality analysis, to reflect the demographic profile of the Scheme (by reference to age, gender, category of membership, category of occupation, pension amount and postcode).

Demographic assumptions	31 March 2024	31 March 2021
Male non-pensioners with:		
- Low pensions*	**102% of S2PMA**	102% of S2PMA
- High pensions*	**64% of S2PMA_L**	64% of S2PMA_L
Female non-pensioners	**101% of S2PFA_L**	101% of S2PFA_L
Male dependants of non-pensioners	**82% of S2PMA_H**	82% of S2PMA_H
Female dependants of non-pensioners	**99% of S2DFA**	99% of S2DFA
Male pensioners with:		
- Low pensions*	**105% of S2PMA**	105% of S2PMA
- High pensions*	**69% of S2PMA_L**	69% of S2PMA_L
Female pensioners	**106% of S2PFA_L**	106% of S2PFA_L
Male dependants of pensioners	**84% of S2PMA_H**	84% of S2PMA_H
Female dependants of pensioners	**98% of S2DFA**	98% of S2DFA
Future improvements in longevity	**2017 CMI core projections model subject to a long-term improvement rate of 1.5% pa up to 2018, followed by 2022 CMI with default parameters subject to a long-term improvement rate of 1.5% pa thereafter**	2017 CMI core projections model subject to a long-term improvement rate of 1.5% pa up to 2018, followed by 2020 CMI subject to a long-term improvement rate of 1.5% pa thereafter
Allowance for commutation	**Members are assumed to commute 15% of their pension for cash at retirement on terms 5% higher than the rates applicable at the valuation date, based on a 2.5% pa real (relative to RPI) discount rate**	Members are assumed to commute 15% of their pension for cash at retirement on terms 5% higher than the rates applicable at the valuation date, based on a 2.5% pa real (relative to RPI) discount rate
Expenses	**£111 million****	£128 million**

*Low pensions are classed as being lower than £28,300 pa at 31 March 2021, allowing for the April 2021 pension increase only; high pensions are higher than £28,300 pa at 31 March 2021 (at later effective dates members retain the same assumptions so as to have the same effect as inflating the £28,300 pa band by the relevant pension increases)
** Fixed capitalised value of expenses as per the Settlement Agreement

For those benefits covered by the Concerto longevity swap, the valuation of the pay leg does not require demographic assumptions and the valuation of the receive leg is consistent with the technical provisions assumptions, with the resulting difference in value adjusted to offset the allowance for this contract within the Scheme's accounts.

Details of the other demographic assumptions used for this actuarial valuation are documented in the Statement of Funding Principles.

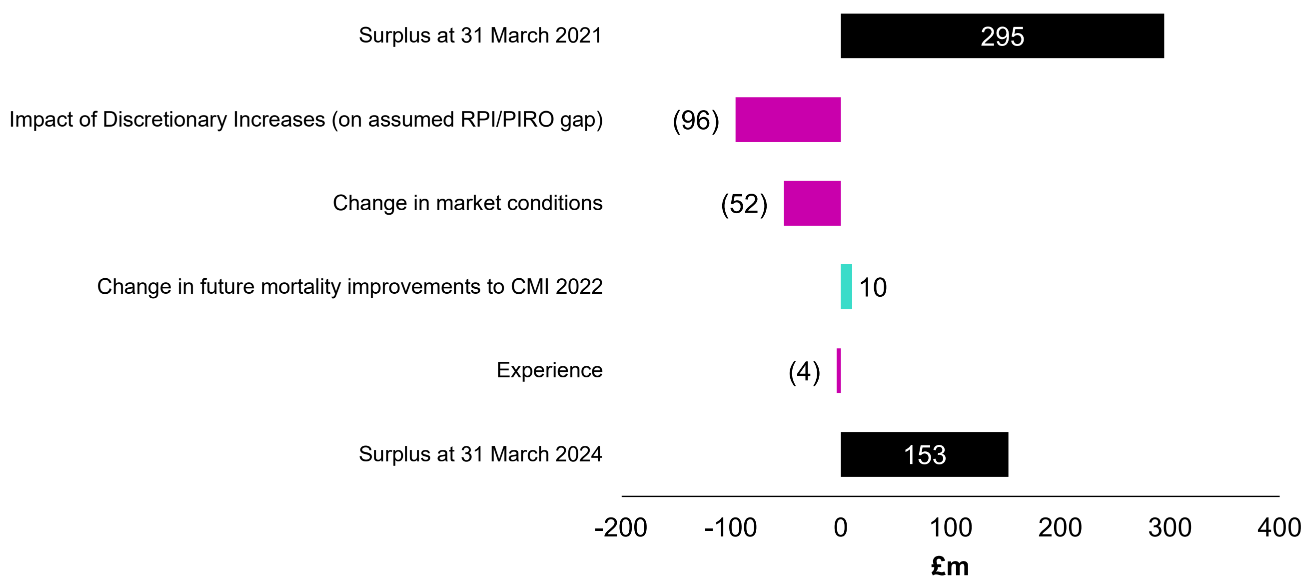
Past service results

The table below compares the Scheme's technical provisions as at the date of the actuarial valuation (31 March 2024) with the market value of the Scheme's assets and the corresponding figures from the previous actuarial valuation:

Valuation statement	31 March 2024 £m	31 March 2021 £m
Amount required to provide for the Scheme's liabilities in respect of:		
Employed members	**29**	73
Deferred pensioners	**47**	152
Pensioners and dependants	**4,869**	6,673
GMP equalisation reserve[1]	**7**	10
Expenses	**111**	128
AVCs and other money purchase benefits	**24**	43
Technical provisions	**5,087**	7,079
Market value of assets	**5,240**	7,374
Past service surplus (assets less technical provisions)	**153**	295
Funding level (assets ÷ technical provisions)	**103.0%**	104.2%

Developments since the previous valuation

The surplus has reduced to £153m from £295m at the previous valuation. The main factors contributing to this change are shown below.



Note: The figures in this analysis are approximate and depend on the order in which the items are analysed

[1] An additional liability of £7 million as at 31 March 2024 has been included as an assumed reserve for the remaining cost of GMP equalisation after allowing for the £3 million in respect of back payments that was included as a current liability in the Scheme's Report and Accounts as at 31 March 2024 so that the total reserve is £10 million (consistent with 2021).

Contribution requirements

Future accrual of benefits

Under the method and assumptions described in the Statement of Funding Principles, the Company contribution rate required, in addition to Scheme members' normal contributions, to provide the benefits expected to accrue between this valuation and the next valuation was 34.1% of Pay for Contribution Purposes. No allowance is included in this contribution rate for administration expenses as a full reserve for these is included in the technical provisions. There is also no allowance in the contribution rate for Pension Protection Levies as these are paid in full by the Company following receipt of the relevant invoices from the PPF Board.

As the Scheme is closed to new entrants, the cash amount required to meet the cost of the accrual of future benefits will fall because the number of members to whom the rate applies will fall as active members leave service, retire or die.

The Company is currently paying a contribution rate of 69.7%, in line with that agreed at the 31 March 2021 valuation. From 1 April 2025, the Company has agreed to pay the full rate noted above of 34.1% of Pay for Contribution Purposes.

Recovery plan

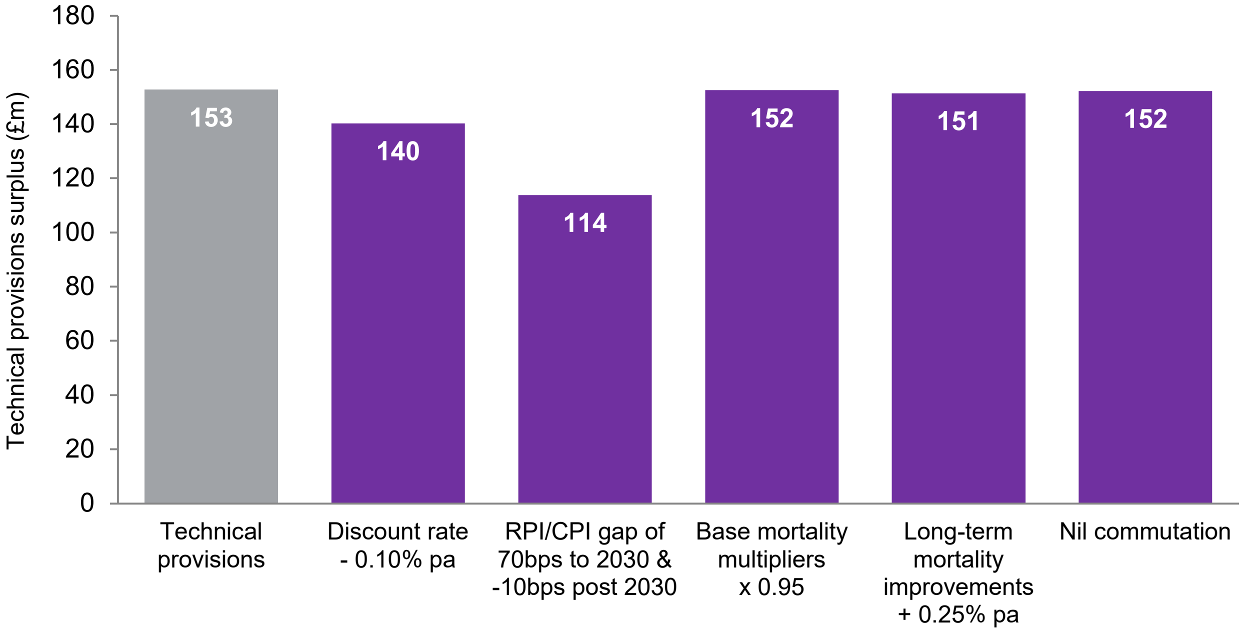
As there were sufficient assets to cover the Scheme's technical provisions at the valuation date, a recovery plan for the 31 March 2024 actuarial valuation is not required.

Projections and sensitivities

Based on the assumptions underlying the calculation of the Scheme's technical provisions as at 31 March 2024 and allowing for contributions to be paid to the Scheme as described above, the funding level is expected to remain above 100%.

Following the Settlement Agreement with the Company entered into on 8 April 2019 (as subsequently amended), the Trustee will consider granting discretionary pension increases in line with a 'Proposed Pattern' of increases under Rule 15. Should such increases be awarded, then the funding level will gradually fall over time. Over the period to the next valuation, the funding level is expected to remain over 100%.

The chart below illustrates the sensitivity of the technical provisions surplus as at 31 March 2024 to variations of individual assumptions. (If more than one of these assumptions is varied, the effect may be greater than the sum of the changes from varying individual assumptions.)



Solvency

Discontinuance

In the event that the Scheme is discontinued, the benefits of employed members would crystallise and become deferred pensions in the Scheme. There would be no entitlement to further accrual of benefits.

If the Scheme's discontinuance is not the result of the Company's insolvency, the Company would ultimately be required to pay to the Scheme any deficit between the Scheme Actuary's estimate of the full cost of securing Scheme benefits with an insurance company (including expenses) and the value of the Scheme's assets – the "employer debt". The Trustee would then normally try to buy insurance policies to secure future benefit payments. However, the Trustee may decide to run the Scheme as a closed fund for a period of years before buying such policies, for example if there are practical difficulties with buying insurance policies, such as a lack of market capacity.

If the Scheme's discontinuance is a result of the Company's insolvency, the "employer debt" would be determined as above and the Scheme would also be assessed for possible entry to the Pension Protection Fund ("PPF") if there were no solvent statutory employers remaining.

If the assessment concluded that the assets (including any funds recovered from the Company) were not sufficient to secure benefits equal to the PPF compensation then the Scheme would be admitted to and members compensated by the PPF. Otherwise the Scheme would be required to secure a higher level of benefits with an insurance company.

Statutory estimate of solvency

The Pensions Act 2004 requires that I provide the Trustee with an estimate of the solvency of the Scheme at the valuation date. Normally, this means an estimate of the proportion of the accrued benefits that could have been secured by buying insurance policies with the assets held by the Scheme at the valuation date. For this purpose I have assumed that no further payments are received from the Company.

I have assumed that the insurance company price would be calculated on an actuarial basis similar to that implied by bulk annuity quotations seen by WTW at around the valuation date. However, there is very limited capacity in the market for annuities that provide increases in line with Pensions Increase (Review) Orders, and having considered the limited evidence available I have assumed that PIRO increases might have been secured on terms broadly equivalent to those available for RPI increases.

In addition, it is difficult to estimate what costs may be associated with unwinding some of the insurance contracts that the Scheme holds should that be necessary. For example, we understand that the Artemis contract would incur significant cost if converted to individual annuities. For the purposes of the solvency estimate at 31 March 2024, the asset value attributed to the Artemis contract is in line with the asset valuation provided by BA pensions at the same date but I have made allowance for the cost of securing the liabilities to be £355 million higher in order to make an allowance for the potential costs that might have been involved in novating the Artemis policy to individual annuity policies at the valuation date.

I have assumed the cost of implementing the winding-up to be £53 million (2021: £72 million).

The table on the following page summarises the main financial assumptions used to estimate the Scheme's solvency position at this and the previous actuarial valuation.

Financial assumptions	**31 March 2024 % pa**	31 March 2021 % pa
Pensioner discount rate	**WTW gilt yield curve plus a margin of 0.20% pa[1]**	WTW gilt yield curve plus a margin of 0.15% pa[1]
Non-pensioner discount rate	**WTW gilt yield curve less a margin of 0.30% pa**	WTW gilt yield curve less a margin of 0.35% pa
Pensions Increase (Review) Orders (in deferment and payment)	**RPI plus 0.20% pa[2]**	RPI plus 0.15% pa[2]

[1] The liabilities covered by Concerto have been calculated using a discount rate of gilt yield curve plus a margin of 0.35% pa (2021: 0.30% pa) to allow for the longevity swap already in place.

[2]The RPI assumption is derived from the difference between the full index-linked and nominal gilt curves at the valuation date with an addition of 0.20% pa at 31 March 2024 (2021:0.15% pa) at all durations to allow for the expected cost of purchasing annuities with floor of 0%.

The demographic assumptions used in the solvency estimates are as set out in the relevant Statement of Funding Principles, except that the allowance for future improvements in longevity for the 31 March 2024 estimate includes an initial addition parameter of 0.5% pa. In addition, no allowance is made for the impact of members commuting pension for cash at retirement.

In calculating the solvency estimate I have used these financial and demographic assumptions for all benefits provided from the Scheme, with the exception of the Artemis contract, which is valued as set out on the previous page, and the Concerto longevity swap, for which the valuation of the pay leg does not require demographic assumptions and the valuation of the receive leg is consistent with these solvency assumptions, with the resulting difference in value adjusted to offset the allowance for this contract within the Scheme's accounts.

My estimate of the solvency position of the Scheme as at 31 March 2024 is that the assets of the Scheme would have met 94.5% of the cost of buying insurance policies to secure the benefits at that date, based on the assumptions described above. Further details are set out in the table below alongside the corresponding details as at the previous valuation date:

Valuation statement	**31 March 2024 £m**	31 March 2021 **£m**
Estimated cost of buying insurance policies to cover:		
Employed members	**31**	94
Deferred pensioners	**53**	190
Pensioners and dependants	**5,375**	7,419
GMP equalisation reserve[1]	**7**	10
Expenses	**53**	73
AVCs and other money purchase benefits	**24**	43
Total estimated cost	**5,543**	7,829
Market value of assets	**5,240**	7,374
Solvency (deficit)/surplus (total estimated cost less assets)	**(303)**	(455)
Solvency level (assets ÷ total estimated cost)	**94.5%**	94.2%

[1] An additional liability of £7 million as at 31 March 2024 has been included as an assumed reserve for the remaining cost of GMP equalisation after allowing for the £3 million in respect of back payments that was included as a current liability in the Scheme's Report and Accounts as at 31 March 2024 so that the total reserve is £10 million (consistent with 2021).

The solvency estimate should not be relied upon to indicate the position on a future winding-up. Changes in market interest rates and in the supply and demand for annuities mean that the actual position at any particular point in time can be established only by obtaining specific quotations for buying the insurance policies required to secure the benefits.

The coverage for particular benefits depends on where they fall in the statutory priority order below. However, money purchase liabilities, such as those arising from members' Additional Voluntary Contributions (AVCs), are excluded from the statutory priority order; their treatment is determined by the Scheme's own rules and would normally be that they are secured in full before any other benefits.

- category 1 – benefits relating to certain pension annuities secured by the Scheme before 6 April 1997;
- category 2 – the cost to the Scheme of securing the compensation that would otherwise be payable by the PPF if the Company became insolvent;
- category 3 – benefits in respect of defined benefit AVCs not dealt with above;
- category 4 – all other pensions and benefits due under the Scheme, including pension increases (where these exceed those under the PPF).

As the Scheme assets comfortably covered the Section 179 liabilities as at 31 March 2024 but were less than the estimated cost of securing benefits with an insurer, the Scheme would almost certainly not have qualified for entry to the PPF had the Company become insolvent at 31 March 2024 and a PPF assessment process been triggered, in which case members would have received more than the PPF compensation but only around 95%, on average, of the value of the entitlements described above. There is uncertainty as to how benefits in excess of PPF compensation levels would be awarded in practice and so the outcomes for individual members is likely to vary.

Relationship between the cost of securing benefits and the technical provisions

My estimate of the cost of securing benefits with an insurance company of £5,543 million is £456 million higher than the Scheme's technical provisions of £5,087 million.

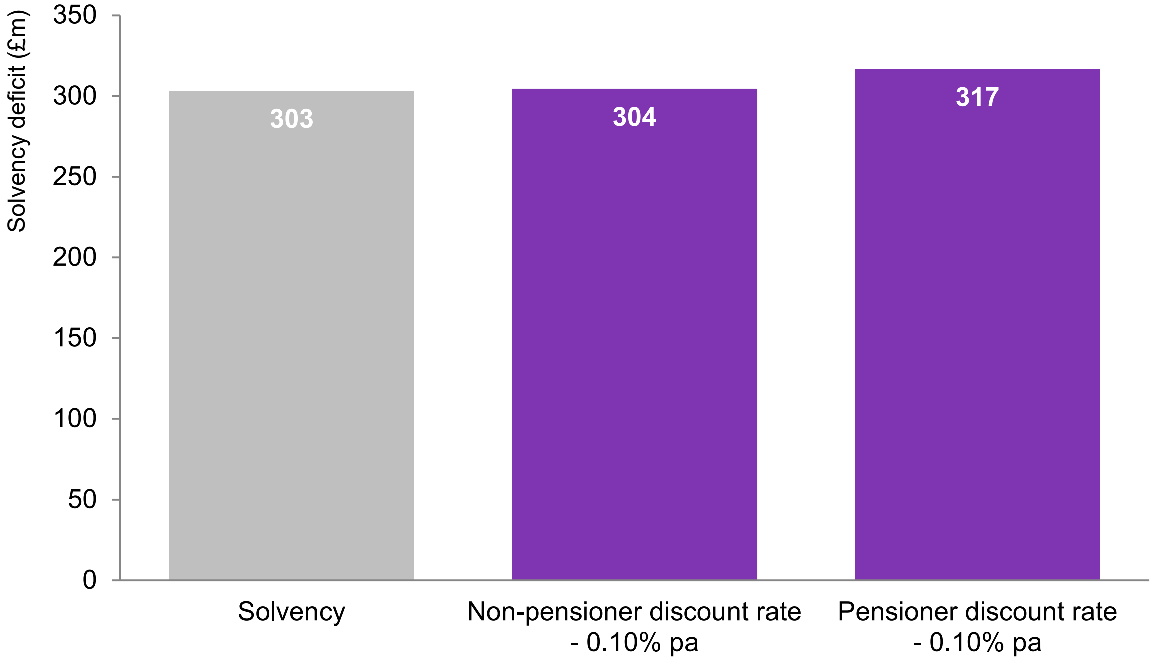
The technical provisions are intended to be a prudent assessment of the assets required under the Scheme's investment strategy to meet future benefit payments as and when they fall due but with reliance placed on the Company being able to support the Scheme in future if the assumptions are not borne out in practice. By contrast the estimated cost of securing benefits with an insurance company is based on the price that an insurer might be likely to charge to take on the risks associated with operating the Scheme without having recourse to future contributions from the Company.

If the statutory funding objective had been exactly met on 31 March 2024 (i.e. there had been no funding surplus or deficit), I estimate that the solvency level of the Scheme would have been 91.8%. This compares with 90.4% at the 31 March 2021 actuarial valuation.

Projections and sensitivities

It is expected that the solvency funding level will increase over time, as the cost of the surrender of the Artemis contract is expected to gradually reduce over the period to 2050. In addition, the solvency funding level is expected to improve further as non-pensioners retire, since solvency pricing for pensioners is typically more favourable than for non-pensioners.

The chart on the following page illustrates the sensitivity of the solvency position as at 31 March 2024 to variations of individual key assumptions. (If more than one of these assumptions is varied, the effect may be greater than the sum of the changes from varying individual assumptions.)


Solvency deficit (£m)
350
300
250
200
150
100
50
0
303
304
317
Solvency
Non-pensioner discount rate - 0.10% pa
Pensioner discount rate - 0.10% pa

Additional Information

Risks

The table below summarises the main risks to the financial position of the Scheme and the actions taken to manage them:

Risk	Approach taken to risk
Company unable to pay contributions or make good deficits in the future	Following the Settlement Agreement, the contributions required from the Company and the reliance on the covenant have reduced significantly to a very low level and so this risk is considered small.
Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives	The Trustee takes advice from the Scheme Actuary on possible assumptions for future investment returns. For the calculation of the Scheme's technical provisions, the Trustee has adopted discount rates that are lower than the expected returns on the Scheme assets. The Trustee is able to agree further contributions with the Company at subsequent valuations if future returns prove insufficient to cover the technical provisions.
Investment returns on future income could be lower than the returns available at the valuation date	The Trustee takes this risk into account when determining the Scheme's technical provisions, by incorporating a level of prudence into the investment return assumptions. The Scheme currently targets a 95% hedge (including fixed reserves, excluding Artemis and Delius) of its exposure to changes in interest rates (based on the AVB with RPI increases).
Price inflation could be different from that assumed which could result in higher liabilities	The Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real" assets). This means that, over the longer term, such assets are expected to keep pace with inflation. The Scheme currently targets a 95% hedge (including fixed reserves, excluding Artemis and Delius) of its exposure to inflation risk (based on the AVB with RPI increases).
Falls in asset values might not be matched by similar falls in the value of the Scheme's liabilities	The Trustee considers this risk when determining the Scheme's investment strategy and it consults with the Company before making material changes to its strategy. The current investment risks are modest, mainly relating to corporate bonds and the residual illiquid assets which are being run-off. In the unlikely event that such falls in asset value result in a technical provisions deficit at a future valuation, the Company would be required to agree a recovery plan with the Trustee to restore full funding over a period of time.
Scheme members live longer than assumed	For the calculation of the technical provisions, the Trustee has adopted mortality assumptions that it regards as prudent estimates of the life expectancy of members so that higher reserves are targeted in respect of the risk than are expected to be necessary. The insurance contracts secured with Rothesay Life, Legal and General and MetLife provide substantial protection against the Scheme's longevity risk.
Options exercised by members could lead to increases in the Scheme's liabilities	The Trustee sets the terms for converting benefits in respect of member options on the basis of actuarial advice with the view to avoiding strains on the Scheme's finances as far as is reasonably possible without disadvantaging members. The terms are kept under regular review, generally following each actuarial valuation.
Legislative changes could lead to increases in the Scheme's liabilities	The Trustee takes legal and actuarial advice on changes in legislation and consults with the Company, where relevant.

Risk	Approach taken to risk
Changing patterns of weather, temperature or disease could adversely affect the funding of the Scheme	The Trustee recognises that climate-related issues represent a material risk to future economic stability in the long term, with potentially wide-ranging impacts on environmental, societal and governance matters. From the perspective of the funding of the Scheme the key ways these risks could manifest themselves are through unmatched falls in asset values, Scheme members living longer than assumed or a reduction in the strength of the Company covenant. Each of these particular risks are separately addressed above, but the Trustee acknowledges that climate change could have an interconnected effect on these risks. In light of the Scheme's strong financial position and high level of hedging for most asset and demographic risks, the main climate-related risk for the Scheme is likely to be that of sponsor insolvency and the potential economic consequences, including the possible requirement for PPF assessment and an eventual buyout on potentially unfavourable terms.
Political decisions and relations, both in the UK and internationally, could adversely affect the funding of the Scheme	Geopolitics can impact the Scheme in a number of ways, most notably through unmatched falls in asset values or a reduction in the strength of the Company covenant. Each of these particular risks are separately addressed above, but the Trustee acknowledges that geopolitics could have an interconnected effect of these risks.

Economic risk | Demographic risk | Legal risk | Climate/Geopolitical risk

Benefits summary

The Scheme is a registered pension scheme under the Finance Act 2004 and was contracted out of the State Second Pension. The following is a summary of the benefits valued to determine the technical provisions at the valuation date:

Definitions	
Normal Retirement Age (NRA)	General Staff (60), Pilots and Air Cabin Crew (55)
Pay for Pension Purposes	Remuneration designated by the Employer as pay for these purposes.
Retiring Pay	The average of members' Pay for Pension Purposes during the best two years of the last five years of Contributory Service.
Contributory Service	Service in respect of which contributions have been paid to the Scheme.

Benefits	
Retirement at NRA	General Staff – a pension of 1/56th of Retiring Pay for each year of Contributory Service.
	Pilots and Air Cabin Crew – a pension of 1/52nd of Retiring Pay for each year of Contributory Service.
Retirement on ill health	An immediate pension calculated as for retirement at NRA but including one-half of potential future pension service as Contributory Service.
Lump sum on retirement	On retirement, part of the pension may be exchanged for a lump sum on terms decided by the Actuary from time to time.
Death after retirement	A spouse's pension of two-thirds of member's pension (accrued while Higher Rate contributions were made) which would have been in payment at the date of death assuming no pension was commuted at retirement. Children's allowances are also payable.
Death in service	A lump sum of three times the member's pay is payable.
	A dependant's pension equal to two-thirds of the pension which the member would have received at NRA had they not died in service, and for a Higher Rate contributor including one-half of future potential service as Contributory Service.
Leaving service	A deferred pension is payable from NRA based on Retiring Pay at date of leaving and past Contributory Service. Deferred pensions are revalued up to date of retirement in line with Pensions Increase (Review) Orders.
Pension increases in payment	Pensions in excess of any Guaranteed Minimum Pension (GMP) are increased in line with the Pensions Increase (Review) Orders.

GMPs arising from service after 5 April 1988 are increased in line with GMP Increase orders.

Members' contributions

	Higher Rate	Lower Rate*
General Staff	7.25%	5.75%
Pilots and Air Cabin Crew	8.50%	7.00%

In addition, members may elect to pay Additional Voluntary Contributions (AVCs) on the Trustees' published AVC terms.

* The Lower Rate is payable if spouses' benefits are excluded.

In addition, for those members who elect to link increases in their "Pay for Pension Purposes" to increases in their Pay, contributions are paid at 4.5% of "Pay for Contribution Purposes" from the date the election is effective.

Members who participate in the Scheme's salary sacrifice arrangement pay nil member contributions. Instead the employers contribute to the Scheme an amount equal to the normal contributions that would otherwise be payable by these members.

In addition, from 6 April 2016 for members under State Pension Age and who are not 2016 Lower Accrual Members, additional contributions of 3.1% of Band Earnings are payable.

Discretionary benefits

The technical provisions are calculated assuming that no discretionary pension increases are awarded, i.e. pension increases are awarded in line with Pensions Increase (Review) Orders (consistent with the approach taken in 2021). The Trustee has agreed a "Proposed Pattern" of discretionary pension increases, which are set out in the discretionary increases protocol agreed with the Company, and will consider discretionary pension increases in accordance with that protocol as required by Rule 15 of the Trust Deed and Rules.

Changes to the benefits

Since the valuation as at 31 March 2021 no changes have been made to the Scheme's benefits.

Uncertainty about the benefits

An allowance of £10 million in total has been made for the possible changes to the benefits that may be required to ensure that the Scheme provisions in respect of Guaranteed Minimum Pensions do not unlawfully discriminate between male and female members. The technical provisions and statutory estimate of solvency include an allowance of £7 million for this purpose, and £3 million is allowed for as a current liability in the Scheme's Financial Statements as at 31 March 2024 in respect of back payments.

I am not aware of, and no allowance has been made in the valuation for, the benefits being different from those described in the Scheme's governing documents due to execution risks such as those arising in the Virgin Media case or other conflicts with legislation.

Membership data

A summary of the Scheme's membership information supplied by BA Pensions is shown below.

Members in service	31 March 2024			31 March 2021		
	Number	Annual pay (£m pa)	Average age	Number	Annual pay (£m pa)	Average age
Males	21	0.9	60.9	38	1.5	58.3
Females	4	0.1	62.4	9	0.3	59.3
Total members in service	25	1.0	61.1	47	1.8	58.5

Crystallised members	31 March 2024			31 March 2021		
	Number	Crystallised pension (£m pa)	Average age	Number	Crystallised pension (£m pa)	Average age
Crystallised pensioners	17	0.4	63.9	24	0.5	62.0

Deferred pensioners	31 March 2024			31 March 2021		
	Number	Deferred pension (£m pa)	Average age	Number	Deferred pension (£m pa)	Average age
Deferred pensioners (excluding EPBs)	302	1.6	64.7	549	3.5	61.5

Pensioners and dependants	31 March 2024			31 March 2021		
	Number	Annual pension (£m pa)	Average age	Number	Annual pension (£m pa)	Average age
In own right	13,252	318.7	78.0	14,937	288.3	76.0
Dependants	5,288	83.7	82.1	5,740	68.0	81.4
Total pensioners	18,540	402.4	78.9	20,677	356.3	77.0

Notes on data tables:

- Deferred pensions include revaluation up to the valuation date, and do not include EPB pensions.
- Deferred pensions and pensions in payment include the pension increase in the April immediately following the respective valuation dates.
- Dependant pensions and number of dependants include children, however average age is in respect of adult dependants only.
- Average ages are weighted by accrued pension (or annual pay, for active members), at the respective valuation dates.

Asset information

Movements in the market value of assets

The Scheme's audited Financial Statements supplied as at 31 March 2024 show that the market value of the Scheme's assets was £5,240 million. This includes Additional Voluntary Contributions (AVCs) which amounted to £24 million.

The change in the Scheme's assets (including AVCs) from £7,374 million as at 31 March 2021 to £5,240 million as at 31 March 2024 is detailed in the Trustee's Report and Financial Statements over that period. The chart below summarises a broad reconciliation of the change:

	£m	£m
Assets at 31 March 2021		**7,374**
Contributions paid:		4
- Employer	3	
- Employee	1	
Benefits paid:		(1,125)
- Benefit paid	(1,098)	
- Payments to and on account of leavers	(27)	
Expenses		(12)
Change in GMP equalisation reserve approach		(3)
Change in Artemis accounting approach		(42)
Change in Concerto accounting approach		(34)
Changes in market value of investments and investment income		(922)
Assets at 31 March 2024		**5,240**

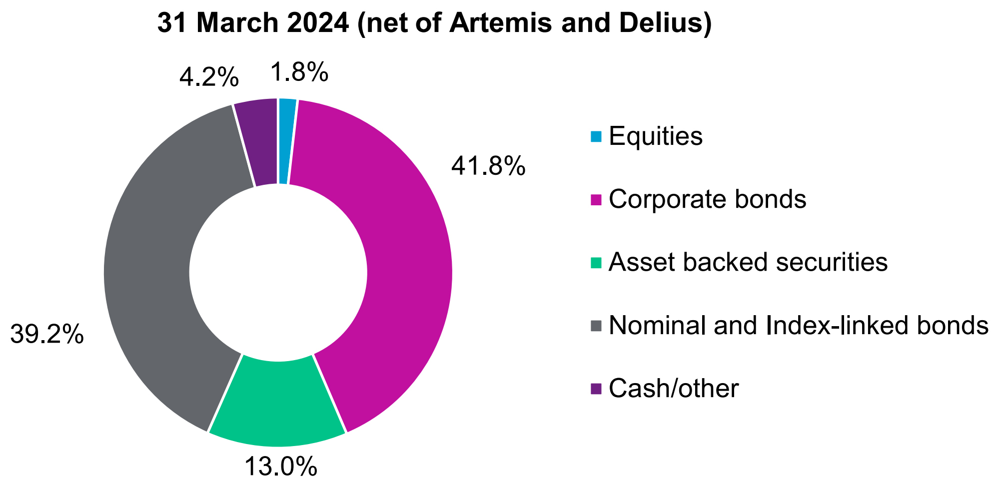
The asset value at 31 March 2024 includes AVCs of £24 million.

Investment strategy

The assets, excluding AVCs, were invested as summarised below as at 31 March 2024 and 31 March 2021:

	Market value as at 31 March 2024		Market value as at 31 March 2021	
	£m	**%**	£m	%
Fixed and index linked securities	**558.0**	**10.7**	1725.6	23.8
Corporate bonds	**595.0**	**11.4**	-	-
Asset backed securities	**185.1**	**3.5**	-	-
UK equities	**25.6**	**0.5**	37.2	0.5
Property	**-**	**-**	3.9	0.1
Cash and other investments	**59.8**	**1.1**	160.2	2.1
Artemis buy-in policy	**747.7**	**14.3**	1,135.5	15.4
Delius buy-in policy	**3,068.3**	**58.5**	4,285.0	58.1
Total	**5,239.5**	**100.0**	7,374.4	100.0

A summary of the Scheme's strategic investment benchmark at 31 March 2024 is set out below:



Significant events

There were no significant events over the intervaluation period. However, the Trustee entered into a longevity swap agreement ("Project Omega") in December 2024 to hedge the longevity risk associated with members not covered by earlier insurance or reinsurance contracts.

Statutory Certificate

Actuarial certification for the purposes of regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Airways Pension Scheme**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2024 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 22 April 2025.

Adam N Boyes
Chartered Actuary (Fellow)
Towers Watson Limited, a WTW Company
22 April 2025

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Certificate for the purposes of Clause 11(b)

Certificate for the purposes of Clause 11(b) of the Trust Deed of the Airways Pension Scheme

Name of scheme: **Airways Pension Scheme**

Clause 11(b1) of the Trust Deed provides that: "An actuarial valuation under sub-clause (a) of this clause with an effective date on or after 31 March 2018 shall be on the Agreed Valuation Basis plus RPI for the purposes of assessing whether there is a Raw Surplus for the purposes of sub-clause (a). An actuarial valuation under sub-clause (b) of this clause with an effective date on or after 31 March 2018 shall be on the Agreed Valuation Basis for the purposes of assessing a deficit under sub-clause (b) of this clause."

As at 31 March 2024, on the Agreed Valuation Basis plus RPI, the Scheme had a deficit of £18 million. On the Agreed Valuation Basis, the surplus as at 31 March 2024 was £153 million. As a result, the Raw Surplus for the purpose of Clause 11(a) is nil and there is no deficit for the purpose of Clause 11(b).

Adam N Boyes
Chartered Actuary (Fellow)
Towers Watson Limited, a WTW Company
22 April 2025

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Glossary

This glossary describes briefly the terminology of the regime for funding defined benefit pension schemes as introduced by the Pensions Act 2004.

Actuarial report: A report prepared by the Scheme Actuary in years when an actuarial valuation is not carried out that provides an update on developments affecting the Scheme's assets and technical provisions over the year.

Actuarial valuation: A report prepared by the Scheme Actuary that includes the results of the calculation of the technical provisions based on the assumptions specified in the Statement of Funding Principles and assesses whether the assets are sufficient to meet the statutory funding target.

Artemis: The deferred premium buy-in contract entered into between Rothesay Life Limited and British Airways Pension Trustees Limited on 18 June 2010, upsized in December 2013.

Concerto: The longevity swap entered into between Rothesay Life Limited and British Airways Pension Trustees Limited on 15 December 2011.

Delius: The buy-in contract entered into between Legal and General plc and British Airways Pension Trustees Limited in September 2018.

Contingent asset: An arrangement separate from the assets already held by the trustees under trust (or agreed and documented in the schedule of contributions) that provides for the trustees to receive certain assets should certain pre-defined events take place.

Covenant: This represents an employer's legal obligation and its ability to provide the financial support to a scheme that may be required now and in the future. The trustees' assessment of the sponsor's covenant will inform both investment and funding decisions.

Demographic assumptions: Assumptions relating to social statistics for Scheme members, which can affect the form, level or timing of benefits members or their dependants receive. This can include levels of mortality experienced by the Scheme and the proportion of members electing to exercise benefit options.

Discount rates: Assumptions used to place a capital value at the valuation date on projected future benefit cash flows from the Scheme. The lower the discount rate the higher the resulting capital value.

Financial assumptions: Assumptions relating to future economic factors which will affect the funding position of the Scheme, such as inflation and investment returns.

Funding target/objective: An objective to have a particular level of assets relative to the accrued liabilities of the Scheme. See also statutory funding objective.

Omega: The longevity swap entered into between Metropolitan Tower Life Insurance Company, Zurich Assurance Limited, Airways Pension Scheme Trustee Limited and British Airways Pension Trustees Limited on 13 December 2024.

Pension Protection Fund (PPF): Provides compensation to members of an eligible occupational scheme in the event that it is wound up with insufficient assets and the employer is insolvent. The level of PPF compensation provided would not usually be at the full level of the benefits that would otherwise have been due.

Prudence: Regulations require that assumptions are chosen prudently when assessing the level of technical provisions, although they do not define this term. I have interpreted prudence to be the level of conservatism in the assumptions. Where this is interpreted quantitatively, assumptions said to be prudent would result in higher technical provisions than a "best estimate" assumption (where a "best estimate" assumption is one where there is a 50% chance that the actual outcome will be higher or lower than assumed).

The Pensions Regulator: The regulatory supervisor for occupational pension schemes with statutory objectives to protect members' benefits and the Pension Protection Fund, and statutory powers to take interventionist action.

Recovery plan: A document required where an actuarial valuation discloses that the statutory funding objective is not met (ie the assets held are less than the technical provisions). It is a formal agreement between the trustees and the employer that sets out the steps to be taken to achieve the statutory funding objective by the end of an agreed period (the "recovery period").

Schedule of contributions: A document that sets out in detail the agreed contributions payable to a scheme by members and the employers and the dates by which such contributions are to be paid. It includes, but is not limited to, contributions agreed under a recovery plan.

Scheme Actuary: The individual actuary appointed (under the Pensions Act 1995) by the trustees to perform certain statutory duties for the Scheme.

Scheme-Specific Funding Regime: A term used to refer to the legislative and regulatory rules that stem from the Pension Act 2004 and which govern the funding of occupational defined benefit pension schemes in the UK.

Statement of Funding Principles (SFP): The SFP sets out the trustees' policy for ensuring that the statutory funding objective and any other funding objectives are met and, in particular, the assumptions for calculating the technical provisions at the effective date of the actuarial valuation. The trustees are responsible for preparing and maintaining this document, taking into account the advice of the Scheme Actuary and in many cases seeking the agreement of the employer.

Statement of Investment Principles (SIP): The SIP sets out the trustees' policy for investing the Scheme's assets. The trustees are responsible for preparing and maintaining this document, taking into account written investment advice from the appointed investment advisor and consulting the employer before any changes are made.

Statutory estimate of solvency: An estimate of the cost of discharging a scheme's liability to pay benefits through the purchase of insurance policies in respect of each member's full benefit entitlement under the Scheme (unless the actuary considers that it is not practicable to make an estimate on this basis, in which case the estimate of solvency can be prepared on a basis that the actuary considers appropriate).

Statutory funding objective: To have sufficient and appropriate assets to cover the Scheme's technical provisions.

Statutory priority order: The order in which the assets of a scheme must be applied in securing the benefits of different members in the event of it being wound up. The order is consistent with the Pension Protection Fund (PPF) because benefits covered by the PPF are the highest priority class of defined benefit liabilities.

Summary funding statement: An update sent to members following the completion of each actuarial valuation or actuarial report informing them of the assessed financial position of the Scheme.

Technical provisions: The amount of assets required to make provision for the accrued liabilities of the scheme. The technical provisions are calculated using the method and assumptions set out in the Statement of Funding Principles.

Winding-up: This is a particular method of discharging a scheme's liability to pay benefits. It typically arises where the employer no longer provides financial support to it (for example if it becomes insolvent) and would usually involve using the scheme's assets to buy insurance policies that pay as much of the scheme's benefits as possible in accordance with the statutory priority order.