

Flexible Retirement Information Leaflet (APS)

This leaflet is for members of APS who have not crystallised their pension.

What is Flexible Retirement?

Flexible retirement is an option provided by British Airways (BA), which allows members at any time from age 55 to ease themselves into retirement by reducing their working hours but at the same time drawing part or all of their pension benefits built up to that date. Members who have not previously crystallised their pension will continue to build up future benefits based on their part-time hours until they finally retire.

Crystallised members can draw **part** of their pension under Flexible Retirement and will continue to get late retirement increases on their remaining pension until final retirement. Please request further details from the pension scheme if you are an APS crystallised member interested in the flexible retirement option.

When can I take Flexible Retirement?

You can elect to take Flexible Retirement at the end of a month of your choice as long as you are age 55 or over and subject to your line manager's approval. Pensions are paid from the first day of the month with the first payment being made to your bank at the end of the month following Flexible Retirement. You will be required by BA to agree to a permanent reduction to your working hours in order to be eligible for Flexible Retirement. Please see the BA intranet for further information.

How many times can I flexibly retire?

You have one opportunity to draw part or all of your pension under the Flexible Retirement option before final retirement.

How is my pension calculated?

Your basic pension entitlement is calculated as follows:

$$\frac{\text{Pensionable service} \times \text{Retiring pay}}{\text{Build-up rate}} = \text{Pension payable in full at Normal Retirement Age (NRA)} \\ \text{(age 55 Flying Staff, age 60 Ground Staff)}$$

Retiring Pay is *usually* an average of pensionable pay over the best two years during the last five years prior to leaving the Scheme.

The standard build-up rate is 1/52 (Flying Staff) and 1/56 (Ground Staff), however members can choose a slower build-up rate of 1/54 (Flying Staff) or 1/58 (Ground Staff).

What is my Normal Retirement Age (NRA)?

Your NRA is the age that your pension benefits are due to be paid in full with no reductions for early payment. This is age 55 for Flying Staff and age 60 for Ground Staff.

I am drawing my pension early before NRA

If you elect to draw part or all of your pension under Flexible Retirement or if you finally retire before your NRA that portion of your pension will be reduced for early payment. This is because the pension payments are starting earlier than expected and will be spread over a longer period of time.

N.B. The actual reduction in pension will be determined by the Scheme's Actuary at the date of calculation. At the date this leaflet was produced, factors provide for a reduction of approximately 5% a year if a pension is drawn earlier than NRA. All factors are subject to regular review. They are not guaranteed and can be either higher or lower than those presently used or quoted.

I am already over my NRA

Flexible Retirement is available at any age from age 55. If you are already over your NRA and have crystallised your benefits i.e. stopped paying pension contributions but not drawn your pension, then you may only draw a portion (not all) of the pension you have built up to the date of your flexible retirement. Please refer to the Flexible Retirement Information Leaflet for APS & NAPS crystallised pensions.

How much will I get at my first Flexible Retirement event?

We will calculate your pension at a Flexible Retirement date of your choice (subject to approval from your line manager) using the basic pension calculation above and applying any early or late retirement adjustments as

explained above. Your latest benefit statement will give you an indication of the amount of pension you have built up to your last birthday.

You will then be able to choose how much of your current immediate pension you want to draw. You can draw the whole amount built up to the date of Flexible Retirement if you wish or only a portion of it. In a limited number of cases, we may need to restrict the amount that can be drawn in order to cover certain minimum benefits (known as the Guaranteed Minimum Pension or 'GMP') within the Scheme. If this applies to you we will let you know if you request a quotation.

Will my total pension reduce if I take Flexible Retirement?

Flexible Retirement allows you to draw part or all of your pension built up to date before final retirement and also to continue to build up benefits for future service.

As explained earlier in this leaflet, pensions drawn early before NRA will be reduced for early payment. BA has said that you will be required to reduce your working hours in order to be eligible for Flexible Retirement and therefore the pension you build up for future service will be based on your part-time service and full-time equivalent pay. This is explained later in this leaflet.

The total pension you receive when you finally come to retire will be made up of the pension already in payment from Flexible Retirement (including annual pension increases) plus any remaining pension you didn't draw at your Flexible Retirement date plus the pension amount built up since Flexible Retirement. Your total pension in payment from NRA may be lower than if you had continued to build up benefits within the Scheme to NRA without drawing part of them early under the Flexible Retirement option. However, you should bear in mind that you will have had the benefit of having part of your pension paid early including the opportunity to take a tax-free lump sum and this may suit your circumstances. The final position is also influenced by how you will use the money and also what level of pension increases will be paid in future compared to any future growth in your pensionable pay.

Will I have a lump sum option?

Yes, you will be able to exchange part of the pension you have elected to draw under Flexible Retirement for a tax-free lump sum. The maximum lump sum that can be drawn tax-free is 25% of the 'value' of your Scheme benefits that you have chosen to draw, subject to a maximum of 25% of your available Lifetime Allowance (LTA). Value is worked out as 20 times the pension being put into payment plus the amount of any tax-free lump sum taken. You will have a second chance to take a further tax-free lump sum at your final retirement date. Again, this will be calculated as a maximum of 25% of the value of your remaining Scheme benefits that are due at your final retirement date, subject to a maximum of 25% of your remaining LTA.

Can I take my Additional Voluntary Contributions (AVCs)?

Your AVCs can be drawn as part of your lump sum entitlement at your Flexible Retirement date, up to a maximum level of 25% of the value of your Scheme benefits being drawn, subject to the maximum of 25% of your available LTA. Payments within this allowance are tax free.

If you are drawing part of your pension under the Flexible Retirement option and you wish to take a tax-free lump sum you may wish to consider taking any AVCs as cash in the first instance to avoid any potential restriction to the amount of lump sum that can be taken from your remaining pension and/or AVCs at final retirement.

If you do not want to take your AVCs as part of your tax-free lump sum you can use them to buy an AVC pension with an insurance company of your choice or you can choose to transfer some or all of them to a different pension provider. APS members also have the choice of buying their AVC pension from BA Pensions. You can obtain an AVC pension quotation by calling the pensions team.

You can continue to save into your AVC account after your Flexible Retirement date but you must cease any AVC saving at final retirement or if you leave the Scheme.

As mentioned above, you will have an opportunity to take a second lump sum at final retirement, subject to 25% of the value of your remaining Scheme benefits or 25% of your available LTA if lower.

Will I receive pension increases on my Flexible Retirement pension?

Yes, the amount of pension that you draw at your Flexible Retirement date will receive standard Scheme increases from the date of payment. APS increases are applied to pensions every April in accordance with the rate specified within the government's yearly Pensions Increase (Review) Orders. Currently, these Orders

broadly reflect the increase in the Consumer Prices Index (CPI) but the method of measurement is determined by the Secretary of State and may change from time to time.

In the first year of pension payment, pension increases are pro-rated according to the date you retired or flexibly retired. Once you have retired (or flexibly retired) we will provide a statement each year with full details of the increase applied to your pension.

What happens to the pension benefits I have not taken?

When you take part of your pension entitlement under Flexible Retirement, any pension you have not drawn will remain in the Scheme and will continue to increase in line with increases to your pensionable pay until you leave the Scheme or retire (or unless you choose to stop pension contributions at or after your NRA, known as 'crystallisation').

You will be required to reduce your working hours for future service in order to be eligible for Flexible Retirement but any service you have built up in the Scheme under full-time hours will continue to be applied to your full-time pensionable pay equivalent. See below for an explanation of how part-time working affects your pension calculation.

Will I still pay contributions?

After you have taken Flexible Retirement, you will continue to contribute to the Scheme and build up future pension entitlements within APS which will be available to draw when you finally retire from BA or leave the Scheme. The amount you pay is based on a percentage of your part-time pensionable pay. For the standard build-up rate in APS (1/52 for Flying Staff or 1/56 for Ground Staff), you pay pension contributions of 7.25% (Ground Staff) or 8.5% (Flying Staff). Contributions are based on your pensionable pay plus, from April 2016, if you are under State Pension Age, you will pay an additional pension contribution currently equal to 3.1% of your [Band Earnings](#). If you choose not to pay for Adult Survivor's cover the amount you pay will be 1.5% lower.

If you are currently under State Pension Age (SPA) you can choose to build your pension at slower rate (1/54 Flying Staff, 1/58 Ground Staff) for future service from the next available option date (there are two option dates each year, usually 1 April and 1 October). You will pay the same Scheme contributions that you would pay for the standard build-up rate (1/52 Flying Staff, 1/56 Ground Staff) but BA will cover the cost of the additional pension contribution of 3.1% of your [Band Earnings](#).

How will changing to part-time hours affect my pension?

BA has said that an individual must agree a permanent reduction to working hours with their line manager in order to be eligible for Flexible Retirement. The full terms and conditions for this are available on the BA intranet together with the process for applying for line manager authority.

Where a member is working part-time hours we use full-time pensionable pay in the basic pension calculation described on page 1 and we pro-rate the service according to the part-time hours worked. So, for example if you work for 10 years at half hours we will use 5 years service in the pension calculation and if your part-time pensionable salary is £5,000 we will use £10,000 in your Retiring Pay calculation.

Where a member has periods of different part-time hours or a mixture of full-time and part-time hours, we use the full-time equivalent of pay and pro rate service according to the part-time hours for each period of service. For example:

Hours worked	Length of service	Pensionable salary	Salary used in Retiring pay calculation	Service used in pension calculation
5 days a week (37.5 hours)	8 years	£20,000	£20,000	8 years
3 days a week (22.5 hours)	2 years	£12,000	£20,000	1.2 years
2 days a week (15.0 hours)	5 years	£8,000	£20,000	2 years

What will I get at final retirement if I take Flexible Retirement?

This is not easy to predict and depends on several factors including the final retirement date you choose, the level of your retiring pay at final retirement (which in turn depends on future increases to pensionable pay awarded by BA), the number of years service you have worked to final retirement, the part-time hours you have worked since your Flexible Retirement date and the amount of pension you chose to draw at your Flexible Retirement date. We cannot make predictions about future levels of pension. However, we have provided information within this letter to enable you to make your own assessment and we suggest that you seek financial advice before choosing the Flexible Retirement option.

Can I get a quote?

Once you have applied to your line manager to assess whether you are eligible for the Flexible Retirement option you may request a quotation based on the current level of pension benefits you have built up in the Scheme by contacting the pensions team on 0208 538 2100. For the reasons explained above, we cannot predict what the actual level of your pension will be at final retirement if you choose the Flexible Retirement option.

Other things to consider:

Adult Survivor's pensions

An Adult Survivor's pension equal to two thirds of your pension may become payable on death, depending on your circumstances at that time and whether you have paid the relevant pension contributions towards the Adult Survivor's pension cover.

If you die before your final retirement having taken some of your pension benefits under Flexible Retirement, the Adult Survivor's pension that would be due will be made up of two parts – one part from the pension already in payment and a second part related to the benefits built up in the Scheme that you have not yet drawn.

Adult Survivor's pensions are reduced where the Adult Survivor is more than ten years younger than the member or for any period where the relevant contributions have not been paid towards the cover.

Death in service benefits

If you die whilst still in active pensionable service, a lump sum death benefit of three times your pensionable pay is payable. You will still be eligible for this cover once you have taken Flexible Retirement. However, it is important to note that as you will have reduced your working hours in order to be eligible for Flexible Retirement, the death in service lump sum benefit would be based upon three times your new part-time pensionable pay.

Any Adult Survivor's pension payable if you die whilst still in active pensionable service would be calculated as two thirds of your pension calculated using the service you have remaining after your Flexible Retirement date plus the service you have built up since your Flexible Retirement date plus half of the potential service remaining until your current NRA. The potential service used in the calculation will be calculated up to age 55 Flying Staff or up to age 60 Ground Staff and will be based on the standard build-up rate (1/52 Flying Staff, 1/56 Ground Staff), or the lower build-up rate (1/54 Flying Staff, 1/58 Ground Staff) if you die whilst paying towards this build-up rate. Service will be discounted where the relevant contributions have not been paid towards Adult Survivor's cover.

If there is no Adult Survivor's pension payable because you are single at the date of your death and you have paid the higher contributions for this cover a refund of the contributions you have paid to the Scheme plus interest will be paid. If you have taken Flexible Retirement the refund of contributions would relate only to the pension you have not yet drawn.

Ill Health Pension

Ill health pensions are enhanced pensions as they include half of the potential service a member would have completed had they remained in active service from the date of ill health retirement to NRA. If a member is part-time at date of ill health retirement (for example they have reduced their working hours in order to be eligible for Flexible Retirement) the half potential service is based on the part-time rate so 10 years potential service becomes 5 years half potential service and if member is working 50% hours at date of ill health retirement the half potential service is based at the part-time rate i.e. 2.5 years. The half potential service is also based on the standard build-up rate (1/52 Flying Staff, 1/56 Ground Staff), or the lower build-up rate (1/54 Flying Staff, 1/58 Ground Staff) if you are paying towards this build-up rate. An ill health pension would also be discounted to account for any pension already drawn under the Flexible Retirement option.

Annual Allowance (AA)

The government has set a limit on the amount of pension savings that can be made within any year. This limit is known as the Annual Allowance (AA). Members whose APS pension value increases by more than the AA between 6 April and the next 5 April in any year from 6 April 2016 could be liable for an additional tax charge. To calculate the value of benefits to compare against the AA the amount of pension built up at the start of the pension input period (6 April to the next 5 April for APS) is multiplied by a factor of 16, increased by CPI and compared to the closing pension value. AVCs paid during the period are treated at face value. Any pension savings a member may have outside of the BA Schemes (including deferred pensions which increase in excess of CPI), must also be included.

Where a member takes Flexible Retirement, the amount of benefits drawn must form part of the valuation of benefits for the purposes of their AA assessment during the pension input period in which they are drawn. This is achieved by adding the value of the Flexible Retirement benefit drawn back onto the closing balance at the end of the pension input period during which it is drawn. Further information is available on the HMRC website at:

www.hmrc.gov.uk/manuals/rpsmmanual/RPSM06107090.htm#IDAXXSBD and we recommend you seek independent financial advice if you believe you may be affected by the AA.

Example:

Pension built up at start of pension input period (6 April 2016):	£30,000 a year
CPI increase (to 30 September 2015):	0.0%
Pension drawn under flexible retirement pension during the period:	£15,000 a year
Pension not yet in payment built up to end of the pension input period (5 April 2017):	£20,000 a year
Pension input amount during 2016/17 would be assessed as:	
$(£20,000 \times 16) + (£15,000 \times 16) - (£30,000 \times 16 \times 1.00) = £80,000$	

If an AA charge arises and where a member wishes the Scheme to pay any AA charge on their behalf in return for a reduction in AVC benefits or pension (known as the 'Scheme Pays' arrangement) they must enter into an agreement with the Trustees for this to happen before they draw all their benefits. Further information about this facility can be obtained by writing to the pension scheme.

Once Flexible Retirement has been taken, AA assessments will apply to the new benefit being built up for continuing part-time service plus any residual benefit not drawn; the pension in payment will not count for AA assessment unless pension increases exceed CPI.