

## Flexible Retirement Information Leaflet (APS crystallised)

This leaflet is for members of APS who have 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 draw part or all of their pension benefits built up to that date.

Crystallised members can draw **part** of their pension under Flexible Retirement and will continue to receive late retirement increases on their remaining pension until final retirement.

It is not possible to draw the **whole** of a crystallised pension under Flexible Retirement as there would be no ability to build up further crystallised pension uplift (late retirement increases) for future service. However, members with crystallised pensions can choose to opt-out of the Scheme and draw their whole pension entitlement (in which case they would no longer be eligible for death in service benefits and would no longer be able to save AVCs).

### When can I take Flexible Retirement?

You can elect to take Flexible Retirement at the end of a future 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 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 of your pension under the Flexible Retirement option before final retirement.

### How is my pension calculated?

Your pension entitlement was confirmed to you at the date you elected to crystallise your pension.

Your basic Scheme pension was calculated at your date of crystallisation and 'frozen' at that point. Late retirement increases are then applied to your pension from the date of crystallisation until the date you draw your pension (or a portion of your pension under Flexible Retirement). Late retirement increases are worked out using factors provided by the Scheme's Actuary and take the form of additional pension.

For late retirement increases in respect of any pension you built up before April 1997 you have a choice of an extra pension which will remain at a fixed-rate (i.e. it will not increase in payment) or a pension which would increase in the same way as your main Scheme pension. For late retirement increases in respect of any pension built up after April 1997, the Scheme must only provide an extra

pension which increases at the same rate as your main Scheme pension. You do not need to make a decision about which type of extra pension you want to build up until you retire or flexibly retire.

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

Please contact us for a quotation if you are seriously considering reducing your hours and wish to draw part of your pension under Flexible Retirement. We will calculate your pension at a Flexible Retirement date of your choice (subject to approval from your line manager).

You will be able to choose how much of your crystallised basic Scheme pension you want to draw from your Flexible Retirement date. Late retirement increases will be applied until the date of Flexible Retirement to the portion of your pension you are drawing as described above. APS members will continue to have a choice of pension that can be provided with their late retirement increases (fixed-rate or increasing) on the portion of crystallised pension being drawn relating to service before April 1997. In a limited number of cases, we may need to restrict the amount that can be drawn 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.

As mentioned above, you cannot draw the whole amount of your crystallised pension and associated late retirement increases under Flexible Retirement. However, you can opt-out of the Scheme to draw all of your benefits, bearing in mind that you would no longer be covered for death in service benefits and can no longer save AVCs. To opt-out, you will need to write to us stating that you wish to opt-out of the pension scheme and from what date. The earliest opt-out date is the 1st of the month following one clear calendar month's notice from receipt of your letter. You do not need to reduce your working hours to opt-out of the Scheme and draw your pension.

### Will I have a lump sum option?

Yes, you will be able to exchange part of the pension you elect to draw under Flexible Retirement for a tax-free lump sum. The maximum lump sum that can be drawn is 25% of the value of your Scheme benefits that you choose to draw, subject to a maximum of 25% of your available Lifetime Allowance (LTA). You will have a second choice to take a further 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)?

Any 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 lump sum, you may wish to consider taking any AVCs as cash first to avoid restricting 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 your AVCs 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 must stop saving AVCs at final retirement or when 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 crystallised pension that you draw at your Flexible Retirement event will receive standard Scheme increases from the date of payment. Increases are applied to pensions every April in line 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.

For APS members who choose the fixed-rate pension option for pension relating to service before April 1997, this portion will not receive increases once in payment.

### What happens to the pension benefits I have not taken?

When you draw part of your pension entitlement under Flexible Retirement, any benefits you have not drawn will remain in the Scheme and continue to receive late retirement increases until you finally retire.

### Can I restart APS pension contributions?

No, as you have crystallised your benefits, you cannot restart contributions to APS but you can continue to save AVCs to the BA AVC Plan. From April 2016, every three years with the next date being 1 January 2019 BA has a legal obligation to automatically enrol you into the British Airways Pension Plan (BAPP), administered by Aviva. You will make pension contributions to BAPP (unless you choose to opt-out within one month of being advised that you have been automatically enrolled). Further details regarding auto-enrolment and BAPP can be found on the BA intranet.

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

BA has said that an individual must agree to a permanent reduction to working hours with their line manager 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.

As you have crystallised your pension, reducing to part-time hours to be eligible for Flexible Retirement does not affect your pension. We use retiring pay at the date of crystallisation to calculate your basic Scheme pension and then late retirement increases are applied to this pension regardless of your working hours. Any death in service lump sum benefits would, however, be based on your part-time pensionable pay (see below).

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

The remaining crystallised pension after taking Flexible Retirement will be paid to you at final retirement including late retirement increases on this portion of your pension as described earlier in this document up to the date of your final retirement.

### Can I get a quote?

Once you have applied to your line manager to assess whether you are eligible for the Flexible Retirement option, then you may request a quotation of the level of current benefits you have built up within the Scheme by contacting the pensions team. If you wish to opt-out of the Scheme to draw all of your pension entitlement, you can contact us for a retirement quotation at any time.

### Other things to consider:

#### Adult Survivor's pensions

An Adult Survivor's pension of two-thirds of your crystallised pension plus late retirement increases 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 and you have taken some of your pension benefits under Flexible Retirement, the Adult Survivor's pension that would be paid 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.

#### Death in service benefits

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

Any Adult Survivor's pension payable if you die while still in active pensionable service would be calculated as two-thirds of your remaining pension after your Flexible Retirement event plus late retirement increases up to date of death.

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.

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.

## The 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 April 2016 could be liable for an additional tax charge. The growth in APS crystallised pensions does not count towards the AA as long as the member has not saved AVCs during the relevant period and /or has not had any other relevant pension benefit accrual during the period.

Drawing your crystallised benefits under Flexible Retirement will not count towards the AA assessment. The pension in payment will only count for AA assessment if any future pension increases exceed CPI. The pension remaining in the Scheme will only be assessed for AA purposes if you save AVCs within APS or have relevant pension benefit accrual elsewhere. Further information about the AA is available on the [HMRC website](#), and we recommend you seek independent financial advice if you believe you may be affected by the AA.