

BA Pensions Briefing – October 2015

This briefing is mainly aimed at GMB members who are in the APS or NAPS pension schemes. People who joined BA before 1985 tend to be in APS, those before 2003 in NAPS, and those after 2003 are in BARP. If you are not sure which scheme you are in, then check your payslip.

Change is on the way

Over the next year there will be two consultations with BA about your pensions. These will have an impact on BA's future - and on **your** future. We want **you to have a voice** and be part of the debate.

- The first consultation is about the effects of government pension changes. This briefing will concentrate on these changes and what they mean for us. This consultation will take place from October 2015.
- The second consultation concerns the review of the finances of the schemes, this takes place every 3 years. This consultation is likely to start in 2016 and it is only after this has been concluded that we will get a clear picture of what is happening to our pensions in BA.

Contracting-out

Until now there have been two government pensions – a basic pension, and a second, top-up pension (often called SERPS or state second pension).

At the moment we are 'contracted-out' of the state second pension, so APS/NAPS people retiring have only receive a basic state pension from the government in addition to their APS or NAPS pension.

We have therefore not had to make the National Insurance payments that relate to the state second pension. So our NI contributions have been 10.6%, whereas people would normally have paid 12%. BA's employer NI contributions as a result of these changes will reduce, by **3.4%**

End of Contracting-out

In April 2016 the state second pension will be phased out and so will the ability of employees and employers to 'contract out' of the NI contributions. In the long run, your state pension may be improved, but there will be two downsides to this:

- From April 2016 your National Insurance deductions will increase from **10.6% to 12%** so if nothing else changes **your take-home pay will go down**.
- Even worse, **the government have made it legal for BA to try to retrieve their extra costs from our pensions**, even if it means changing pension scheme rules to do so.

Consultation

So the first of our consultations will be about how to respond to this change. Your GMB team will be joining with our colleagues from BALPA and Unite – and we will update you as this consultation progresses.

Impact at BA

As of 31 March 2014 there were 21,477 'active' NAPS members (ie members who are still building up their pension) and 761 active APS members, making a total of around 22,000. By 31 March 2016 there are likely to be a little under 20,000 in NAPS and maybe 350 in APS.

If we assume that each employee earned £40,000 pa this would yield an increase in NI employer contribution costs of £24m. If each employee earned £30,000, the total would be £16m. However this would be reduced by the operation of the 'salary sacrifice' scheme.

To place these sums in to context:

In 2014 BA paid £403m into NAPS, of which £161m was for future accrual.

In 2014 BA paid £64m into APS, of which £9m was for future accrual.

Although the increase in costs is not negligible it still only represents a small fraction, somewhere between 3 and 5%, of what BA are paying into the NAPS and APS pensions.

BA's Position

In recent years BA have become increasingly vocal in putting-down their long-standing employees. All too often they have described us as a '*legacy*' that they would prefer to have done without. The creation of IAG has done nothing to change this view.

We therefore expect BA to take a hard line. We are concerned that they will seek to pass on all of their increased costs to their employees in such a way that will substantially increase the costs of our pensions or substantially worsen them. **GMB believe that you deserve better.** BA wouldn't be here at all, let alone thriving, if it were not for the sacrifices made over the years by our long-standing colleagues.

During the hard times, longer term colleagues have had to put up with pay freezes, restructures, outsourcing and productivity deals – as well as two substantial reductions in your pensions arrangements.

We recognize the difficulties that newer employed colleagues face – for example we think that the BARP pension scheme is particularly inferior and unfair in the way it operates, and changes are badly needed to the BARP Pension scheme.

BA can afford to pay

BA has never been so profitable. We are heading for another year where profits reach record levels, and there is evidently plenty of money sloshing around for those at the top of the company.

Research shows that between 1st July and 9th September, IAG have been into the market 29 times to purchase a total of 12.4m shares at a cost of approximately £66.5m, which it is alleged this is earmarked for distribution among IAG executives.

This would be enough to pay off the total NI increase incurred by BA this year and still leave plenty to improve BARP as well.

BA – the rich and the poor.

These bonuses are just the tip of the iceberg. You will have seen recently figures shown for Executive Pay and the widening gap between the average pay for the workforce in other industries. BA is no exception. The gap at BA between those at the top and those at the bottom have widened massively in the last ten years.

Ten years ago, Rod Eddington's total package was 60 times that of a check-in agent. Last year Willie Walsh's total package was a massive 240 times of that of check-in-agent.

For instance:

In 2004-5. Rod Eddington got £592,000 salary + £25,000 benefits + £300,000 bonuses + £281,000 pension enhancement = £1.2 million

In 2004-5 a check in agent top of A3 mainline contract = £19,500

In 2014. It was reported Willie Walsh received £850,000 salary + £26,000 benefits + £1,662,000 annual incentive award + £3,640,000 long-term incentive vesting + £212,000 pension enhancement = £1.2 million = **A grand total of £6.4million.**

In 2014. A check in agent top of A3 mainline contact = £25,259

This wealth inequality between those at the bottom and those at the top is reflected in the way the new BARP scheme operates. In APS and NAPS the contribution rates are the same regardless of the job you do at BA. **In BARP the higher rates are only available to the higher paid employees, i.e. senior managers and pilots.**

The lowest-paid are not making any less contribution than they used to. They are working harder than ever. That is why GMB will make it a priority to protect the lowest-paid from the effects of these changes.

CALLING ON GMB MEMBERS VIEWS

We want to hear GMB member's views on these matters. We want GMB MEMBERS' views to be at the forefront of our negotiating team's demands when we meet the company in the forthcoming consultations.

Your GMB team will consist of Danny Faith, Pete Skehill, Jim Smith (GMB reps @ BA), Mick Rix GMB National Officer and Keir Greenway GMB National Pensions Advisor. Our sister unions will no doubt be calling on similar expertise from their ranks.

You can discuss with your GMB, and you can email your views to Danny Faith at:

danny.faith@ba.com

Or you can send your views on the form below, to Danny via your GMB reps in the area that you work. Your Names will be kept private and confidential.

Name:

(Please Print)

Membership No:

Workplace:

YOUR VIEWS:

(Please return to Danny Faith(danny.faith@ba.com) or via your gmb rep)