

April 2023

# SUMMARY FUNDING STATEMENT 2022

## Key points

- The Scheme remains well funded
- The Scheme's funding level is 96%
- Heathrow continues to support the Scheme
- We will keep you updated about the Scheme's financial health each year

Every year, we send you a Summary Funding Statement to update you on the financial health of the BAA Pension Scheme (the Scheme).

## What is a Summary Funding Statement?

Every three years the Scheme's actuary (an independent pension specialist) analyses the Scheme's finances, comparing the value of its assets (the money it has available) to its liabilities (the amount it needs to pay in benefits, now and in the future). Every year between these three-yearly full valuations, the actuary produces an update. The summary of these actuarial reports given to members is referred to as a Summary Funding Statement.

Using various assumptions about the future, such as how long members will live and what the economic situation will be like, the actuary determines whether the Scheme will have enough money to pay benefits to members as they are due. If the assets are worth more than the liabilities (i.e. the funding level is 100% or more), the Scheme has a surplus. If the assets are worth less than the liabilities (i.e. the funding level is less than 100%), the Scheme has a shortfall.

## How are the Scheme finances looking?

The Scheme's last full valuation was as at **30 September 2021** and we can compare this to the results of the updates as at **30 September 2020** and **30 September 2022**.



## Why does the funding level vary?

Many factors cause the funding level to change over time:

- Heathrow's contributions, including the one-off contribution made following the sale of Aberdeen, Glasgow and Southampton airports, valued at £32m in the 2021 valuation
- The significant rise in interest rates in 2021/2022 has affected the value of the Scheme's assets
- Investment returns have contributed to the fluctuation in the funding level, being better than expected between the 2020 update and the 2021 valuation, but then falling as a result of Government turmoil in the Autumn of 2022
- The value of the liabilities can also change over time – the assumptions used by the actuary (such as how long members will live) were adjusted for the 2021 valuation

## What does the funding level mean for me?

It's important that we show you the funding level for the Scheme each year, as the financial security of the Scheme is important to your benefits. Please note that the Scheme doesn't need to meet all its liabilities in one go, so being less than 100% funded is not an issue while the Scheme continues to exist.

## How much money is paid into the Scheme each year?

Heathrow was paying contributions to reduce the Scheme's shortfall at a rate of **£20m** a year up to **30 September 2022**, but given the surplus in the 2021 valuation these extra contributions stopped.

As part of the 2021 valuation it was agreed that Heathrow would continue to pay contributions at a rate of 25.6% of Basic Salaries, plus total Shift Pay, in respect of active members. Active members themselves pay contributions at a rate between 5% and 7.5% of their Pensionable Salary (plus Shift Pay), depending on which section of the Scheme they belong to.

The contributions from both Heathrow and members totalled **£44m** over the year ending **30 September 2021** and **£33m** over the year ending **30 September 2022**.

## What if the Scheme was wound up?

As part of the valuation, the actuary looks at what the Scheme's funding level would be if it was wound up (i.e. ceased to exist). If this happened, Heathrow would have to pay enough into the Scheme to cover the cost of buying members' benefits from an insurance company. This is a more expensive way to provide benefits, because insurers have to invest in low risk assets and hold large reserves. This means that it's normal for funding levels on a wind-up basis to be much lower than on a 'continuance' basis (i.e. when we assume the Scheme will continue).

As at **30 September 2021**, the Scheme's funding level on a wind-up basis was 80% funded, with a deficit of £1,151m.

If the Scheme were to be wound up and there weren't enough assets to pay members' benefits in full, the Pension Protection Fund (PPF) may step in. The PPF is the 'pensions lifeboat' set up by the Government. The pension you would receive from the PPF depends on your age and when your benefits were earned. Further information and guidance is available on the PPF website at [www.ppf.co.uk](http://www.ppf.co.uk) - or you can contact the PPF via email on [information@ppf.co.uk](mailto:information@ppf.co.uk) or by phone on **+44(0)20 8633 4902**.

## Legal notes

Telling you about the wind up position is a legal requirement and doesn't mean that Heathrow has any intention of winding up the Scheme.

Following the valuation, we can confirm some details that regulations require us to tell you. The Pensions Regulator has not made any modifications to the Scheme, the way valuations are worked out, or the way any funding shortfall is being met, and nor has it imposed a Schedule of Contributions. There have been no payments to Heathrow out of the Scheme.

Please note that your benefits are determined by the Rules of the Scheme. If there is any conflict between any information in this Summary Funding Statement and the Rules, the Rules (as amended from time to time) will be overriding. If you have any questions or would like a copy of the Rules, please contact XPS using the details shown below.

## Where can I get more information?

If you have any other questions, or would like any more information, please contact XPS, the Scheme Administrators using the details shown below. If you wish to see copies of any Scheme documents, these are also available on request.

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