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AUSTRALIAN AIR PILOTS
MUTUAL BENEFIT FUND
ANNUAL REPORT

A WORD FROM THE CHAIRPERSON

The 2023 financial year shows a slight increase in MBF Member numbers at 3,474 up from 3,425 in 2022. Following are the key results from the 2022/23 financial year:

- A loss of \$1.7m for 2023 (loss of \$1.2m in 2022) mainly due to non-cash adjustments which are noted below and further detailed in the General Manager's report.
- The MBF property investments were revalued with a \$1.45m reduction.
- An increase in the provision of Refunds of Contributions (ROC) and in the provision of future claims expense totalling (\$5.25m).
- In 2023, MBF approved 31 Members an ROC and paid out \$1.4m compared to \$1.7m to 35 Members in 2022.
- \$2.3m was paid to 41 Members on Monthly Benefits (\$2.0m to 42 Members in 2022).
- 7 Members unfortunately failed their Class 1 permanently in 2023 and MBF provided \$3.1m in Capital Benefits (15 Members for \$8.4m in 2022).
- Sadly, two Death Benefits were paid in 2023, which was the same number of Death Benefits paid in 2022.

This year also saw MBF undertake the first Rule changes since 2020 when COVID related assistance was added.

The premise of the 2023 Rule changes were to simplify the layout and language, and to provide more transparency of the process pertaining to Member benefits. Some changes included:

- the introduction of a table of medical conditions for which Capital Benefits do not apply;
- the introduction of a table of medical conditions that are limited to 6 or 12 months of benefits;
- the increased maximum Death Benefit cover from \$200,000 to \$300,000;
- the ability to apply for a Death Benefit preservation in addition to the Capital Benefit whereby the verified terminal illness has a life expectancy of less than 12 months;
- increase of the maximum for an ROC to \$70,000.

MBF remains focused in maintaining the product as the best protection against the consequences of losing your Class 1 Medical Certificate and we thank you for your continued support.

Once again, I wish to express my appreciation to the MBF Directors who continue to take time off from their personal life to meet each month. We welcome Captain Simon King who was appointed in December 2022. Thank you to the MBF administration team who continuously strives to achieve MBF's goals and provide excellent Member service.



Captain David Harget
Chairperson



THE GENERAL MANAGER'S REPORT

The year saw MBF make changes to its Rules, be issued with a compulsory acquisition notice to one of the investment properties and undertake various projects to review the operational processes of MBF to better improve its Member services.

The 2023 financial year presents with a \$1.7m loss which is contributed by non-cash adjustments as advised below.

In addition to the various Member benefits paid in 2023 as mentioned in the Chairperson's report, other non-cash adjustments affecting the loss included:

- A revaluation of the fair value of the investment properties from a total of \$26.0m in 2022 to \$24.6m (\$15.4m for South Melbourne and \$9.2m for Box Hill) in 2023.
- The annual actuarial review of ROC Liability resulted in an increase of \$0.8m for 2023.
- The annual actuarial review of the provision of future claims expense increased by \$4.4m in 2023. This increase is largely contributed by the provision for Monthly Benefits.

In respect of the Notice of Compulsory Acquisition, the financial reports required a restatement as it required the following disclosures:

- A reclassification in the Statement of Profit or Loss and Other Comprehensive Income to separate the income, expense and income tax expense relating to the noticed property

and is now shown as a net figure under "Profit after income tax from discontinued operations";

- A reclassification in the Statement of Financial Position to separate the noticed property from "Investment Properties" to "Assets classified as held for sale";
- Similarly, a reclassification in the Statement of Financial Position to separate the liabilities that directly associate with assets classified as held for sale.

Once again, I wish to emphasise my sincere appreciation to the Directors for their ongoing support to the MBF Staff and Members. The Directors continue to act with the best interest of their fellow pilots on a voluntary basis and their dedication highlights the MBF's mantra of 'Run By Pilots, For Pilots'.

At the end of 2022, the MBF saw the retirement of Claims Manager, Christine Simpson, after nearly 11 years. We thank Christine for her dedication and wish her all the best in the next chapter of her retirement plans. With this news, we welcome Linda Cordasic as Claims Manager. In addition we welcome David Munro as MBF's Membership Assistant.

I wish to thank the MBF Staff and Consultant for their above and beyond continued support to the Directors and to its Members.

Every year brings a new challenge, but the Directors and Staff remain dedicated to MBF's objective of providing financial assistance to its members in their time of need when their Class 1 Medical Certificate has been suspended or cancelled.



Michelle Vong
General Manager

Membership				
Financial Year Ending April 30	2023	2022	2021	2020
Membership	3474	3425	3426	3454
Average Age of Members	41	42	42	41
Average Cover	\$698,288	\$675,412	\$674,505	\$683,021
Payments Made to Members	2023	2022	2021	2020
Temporary / Monthly Benefit	41 \$2,284,124	42 \$2,027,256	43 \$2,436,376	39 \$1,695,797
Permanent / Capital Benefit	7 \$3,097,445	15 \$8,384,319	10 \$5,051,408	10 \$5,746,685
Death Benefit / Capital Benefit ¹	2 \$1,612,240	2 \$1,064,000	2 \$1,266,250	2 \$1,392,640
Total of Benefits Paid	\$6,993,809	\$11,475,575	\$8,754,034	\$8,835,122
Refund of Contribution	31 \$1,424,313	35 \$1,667,318	35 \$1,746,656	32 \$1,596,461

1. \$800,000 maximum loss of licence cover plus \$200,000 maximum death benefit after 10 years of membership.



RULES COMMITTEE REPORT

The ongoing Rules project has been the work of the Board and the Rules Committee for several years. The 2023 Rule Change is the culmination of the Board's efforts to set a platform of Rules that are clear, accessible, and fit for purpose. They reflect the enormous and difficult balancing act between the best interests of individuals and the broader Membership.

As was explained during presentations to pilot councils and AFAP staff, the new Rules are quite different in presentation and emphasis. They are however, largely unchanged in intent. There has been some new restrictions on early claims for new Members and time limits introduced on some Monthly Benefits. However, how the Board assesses claims for both Capital and Monthly Benefits continues to be driven by historical claims behaviour, normal recovery times for medically compliant pilots and aviation medical advice.

Some of the changes include:

- The calculation of Monthly Benefits is more straight forward.
- The Death Benefit has increased to \$300,000 at no cost to individual Members.
- The maximum Refund of Contributions has been increased.
- There is a new discretion regarding the preservation of a Death Benefit in the event of a terminal diagnosis.

- Modest HIMS support has been introduced, as well streamlining administrative, governance and policy matters.

The Board thanks the Members for their ongoing support and participation in the Rules making process. We hope to use the recent changes as the basis for assessing the future direction of the Fund in its ongoing and constantly improving support for Members during the stressful period of temporary or permanent loss of medical certification.



Captain Matthew Nielsen
Chairperson of Rules
Committee

AUDIT & RISK COMMITTEE REPORT

As the newly appointed Chairperson of the Audit and Risk Committee (A&R) since January 2023, I would like to mention a special thank you to Captain Simon Brownscombe for leading the committee over the last 8 years. Simon remains as an integral member of the committee alongside Captain David Harget and the committee's newest member, Captain Simon King.

The A&R committee assists the Trustees in fulfilling their duties and responsibilities by reviewing the:

- Quality and integrity of financial reporting;
- Compliance with statutory and regulatory requirements;
- Systems of internal control of financial and physical assets;
- Fund's processes of risk identification and control including internal audit process;
- Effectiveness and independence of the external audit;
- IT Security and compliance through regular testing;
- Quality and relevance of information provided to the Trustee;
- Ethical culture of the organisation.

The committee meets frequently throughout the year to instigate, manage, and assess the outcomes of the Statutory, AFS Licence and Internal Audits.

On an annual basis, the committee meets with external auditors and the actuary for the presentation of their findings.

Discharging these responsibilities is challenging for those involved and I thank the committee members for undertaking additional time.

The performance of the A&R Committee is reviewed by the Board throughout the year and this year, the Board has found the committee to be meeting its expectations and responsibilities as set out in the Audit Committee Charter.



Captain Timothy Glabbatz
Chairperson of Audit & Risk
Committee

INVESTMENT COMMITTEE REPORT

Your Investment Committee, consisting of Captains David Harget, Matt Nielsen, George Mackison and myself, met regularly during the Fund Year with our external Investment Advisors, Leo Brady, Ben James, Amanda Fong and Dylan Verney from Escala Partners. Presentations on economic updates and economic outlook were often provided by Tracey McNaughton, Chief Investment Officer at Escala. Presentations on their respective asset classes were provided by Simon Dawkins, Head of Capital Markets and David Bruty, Investment Analyst.

During the past MBF Financial Year, our Fund Advisor reported a return of 5.15% for the MBF Investment Portfolio. As some funds were transferred from the Investment Portfolio for use in MBF operations and claims costs, the Investment Portfolio concluded the MBF year with a slightly increased valuation as compared to the previous year. The MBF Financial Statements show a corresponding slight increase in Total Assets, however increased provisioning for non-current claims resulted in a slight decrease in the Net Asset position.

The year saw a steady increase in investment income. Rental income decreased slightly, offsetting some of the increase in dividends and distributions. Rising interest rates accounted for a substantial increase in interest on bank deposits and fixed income securities.

The fair value of managed investments increasing from \$39.3m in 2022 to \$40.1m in 2023.

At present, our advisors believe that the market debate revolves around the strength of the economy and the signs of easing inflation. The economy has surprised us by performing better than expected, with low unemployment rates and a rebound in consumer confidence in the US, raising the possibility of a softer landing. As a result, global earnings have fared better than anticipated, leading to a market bounce. However, due to the robust economic conditions, there has been an increase in inflation and interest rate expectations. The Australian 10-year bond yield has now surpassed 4%. Central banks are likely to maintain higher interest rates for an extended period to moderate economic demand. The outlook for the next 6-12 months hinges on whether the US can avoid a recession. Although a recession is not currently factored into market prices, neither is a soft landing. If the Federal Reserve can successfully bring inflation back to its target without a recession, there is significant potential for equity growth. In the meantime, uncertainty is causing some volatility but also presenting opportunities.

Finally, I would like to thank my fellow Investment Committee Members for their support and guidance during the year.



Captain Steven Vidler
Chairperson of Investment
Committee



FINANCIAL REPORT

Statement of financial performance (abbreviated) for the year ended 30 April 2023		
Revenue from ordinary activities	2023	2022
Member contributions	\$9,692,890	\$8,958,621
(Increase)/Decrease in Movement of Provision for Contribution Refunds	(\$818,000)	\$283,000
Contribution refunds	(\$1,424,313)	(\$1,667,318)
Sub-total	\$7,450,577	\$7,574,303
Dividend and distribution on listed securities	\$4,734,098	\$4,490,806
Interest on bank deposits and bank bills	\$468,146	\$54,821
Rental and sundry income	\$836,578	\$878,720
Total revenue from continuing operations	\$13,489,399	\$12,998,650
Less expenses from continuing operations	2023	2022
Disability benefits – lump sums	\$4,379,685	\$9,068,319
Death benefits	\$330,000	\$380,000
Disability benefits – monthly	\$2,284,124	\$2,027,256
Increase/(Decrease) in Movement of Provision for Claims	\$4,430,000	(\$649,000)
Sub-total	\$11,423,809	\$10,826,575
Administration expenses	\$2,862,439	\$2,809,238
Property expenses	\$70,847	\$20,503
Total expenses from continuing operations	\$14,357,095	\$13,656,316
Net profit/(loss) before changes in investments	(\$867,696)	(\$657,666)
Net fair value gain/(loss) on investment securities	\$608,007	\$796,038
Net fair value gain/(loss) on investment properties	(\$1,450,000)	(\$500,000)
Profit/(loss) before income tax expense from continuing operations	(\$1,709,689)	(\$361,628)
Income tax expense/(benefit)	\$175,878	\$583,739
Profit/(loss) after income tax expense from continuing operations	(\$1,885,567)	(\$945,367)
Income tax expense/(benefit)	\$207,815	\$250,707
Profit/(loss) for the period	(\$1,677,752)	(\$1,196,074)

Statement of financial position (abbreviated) for the year ended 30 April 2023		
Assets	2023	2022
Cash at call and receivables	\$10,577,691	\$9,945,156
Term deposits (up to 90 days)	\$6,000,000	\$4,000,000
Total current assets	\$16,577,691	\$13,945,156
Fixed Interest	\$5,564,523	\$4,001,158
Other financial assets at cost	\$50,966,927	\$51,929,413
Change in fair value of other financial assets	\$40,140,731	\$39,305,065
Total financial assets	\$96,672,181	\$95,235,636
Assets classified as held for sale	\$9,200,000	\$0
Investment properties, plant and equipment	\$15,493,455	\$26,156,637
Other non current assets	\$542,930	\$155,776
Total assets	\$138,486,257	\$135,493,205

Liabilities	2023	2022
Payables	\$1,783,358	\$1,642,463
Current tax liabilities	\$290,746	\$1,283,382
Liabilities directly associated with assets classified as held for sale	\$35,000	\$0
Provisions – current and non current	\$41,494,300	\$36,259,600
Deferred tax liabilities	\$17,322,121	\$17,069,276
Total liabilities	\$60,925,525	\$56,254,721
Net assets	\$77,560,732	\$79,238,484
Total equity – retained earnings	\$77,560,732	\$79,238,484

Note: These abbreviated accounts reflect the audited accounts for the financial years of 2022 and 2023.

YOUR TEAM

We know that a loss of licence can have serious consequences to your livelihood and your family's financial security. That's why the MBF was established; by pilots, for pilots, over 60 years ago. Since 1961, we have been providing peace of mind and financial support for Australia's pilots through the most difficult times of their careers.

Easy, Personal,
No Nonsense Process +

No call centre queues, no claims department run-arounds, no cumbersome processes.

With your MBF it's just a few simple, straightforward steps. Wherever you are, you can access the MBF.



Michelle Vong
General Manager



Pip Berquist
Membership Manager



Linda Cordasic
Claims Manager



Aaron Tams
IT & Security Manager



Shalini Puthanveetil
Senior Accountant



Katherine Wengier
Bookkeeper



David Munro
Membership Assistant



Chris Henderson
Consultant

THE BOARD MEMBERS THAT SERVE YOU

The MBF's Trustees are fellow pilots with your best interests at heart. They have a firm understanding of the life you live and the risks you take.



Capt. David Harget
Chairperson



Capt. Simon Brownscombe



Capt. Steven Vidler
Chairperson of Investment
Committee



Capt. Simon King



Capt. Walter Gowans



Capt. Matthew Nielsen
Chairperson of Rules
Committee



Capt. Tim Glabatz
Chairperson of Audit & Risk
Committee



Capt. Matthew O'Keeffe



Capt. George Mackison

"THE ENGINE IS THE HEART OF
AN AEROPLANE, BUT THE
PILOT IS ITS SOUL."

WALTER ALEXANDER RALEIGH





AUSTRALIAN AIR PILOTS MUTUAL BENEFIT FUND

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