

## A WORD FROM THE CHAIRPERSON

I am very pleased to report on another solid performance from MBF in 2024 with Membership up again to 3,552 (3,474 in 2023). In addition to excellent financial results (see below) the MBF Board has responded to a number of significant challenges over the past year.

The MBF investment property in Box Hill became the subject of a compulsory acquisition by the Victorian Suburban Rail Loop Authority, resulting in a mandatory sale at \$10.9m and a potential significant gain subject to Capital Gains Tax (CGT). The Board has responded with a claim for compensation and has made submission to the ATO for a CGT rollover relief plan which will require acquiring new property.

MBF has been advised that the Membership IT software system providers will be phasing out support for the Stratum software used by MBF. This has given the Board the opportunity to undertake a full review of the MBF product so that new software can be specified to better suit Member's needs.

The Rules Committee has initiated a product redesign project with the aim of simplifying the Loss of Licence cover and improving the level and scope of the benefits available to Members.

The following are the key financial results from the 2023/24 financial year:

- A surplus of \$7.1m for 2024 (loss of \$1.7m in 2023) due mainly to non-cash adjustments which are noted below and further detailed in the General Manager's report.
- The MBF South Melbourne property investment was revalued down by \$1.35m.
- An overall minor decrease in the provision of the discretionary refunds of contributions (ROC) and in the provision of future claims expense totalling \$0.5m.
- While investment dividend income slightly decreased in 2024, the interest on bank deposits increased by up to 144%.
- The increase in bank deposits was largely due to funds that were received from the investment property mandatory acquisition.
- In 2024, MBF approved 27 Members a discretionary refund of contributions (ROC) and paid out \$1.3m compared to \$1.4m to 31 Members in 2023.
- \$2.1m was paid to 44 Members on temporary benefits (\$2.3m to 41 Members in 2023).
- 10 Members unfortunately failed their Class 1 permanently in 2024 and MBF provided \$4.7m in capital payments (7 Members for \$3.1m in 2023)
- Sadly, two death benefits of \$1.4m were paid in 2024, which was the same number of death benefits paid in 2023 of \$1.6m.





## THE GENERAL MANAGER'S REPORT

It has been another challenging year for the MBF as we officially handed over one of MBF's investment properties to the Authority as part of a compulsory acquisition. In addition, we were advised that our membership system would be decommissioned in the next few years.

Considering this news regarding the membership system, the Directors and MBF's operational staff are taking the opportunity for a product and system redesign where it is envisaged that members will be provided an even more competitive product and a more user friendly system. Whilst taking this chance to review the product and system, the MBF are also still focused on acquiring a replacement investment property.

Despite the challenges ahead, I am pleased to advise that after 2 years of reporting losses (last reported surplus was \$17.9m in 2021), that the 2024 financial year presents with a \$7.1m surplus. This includes the cash injection received from the compulsory acquisition contributing to the increase of fixed interest investments from \$5.6m in 2023 to \$17.3m in 2024

Other highlights include:

 The highest number of members at 30 April of 3,552. • The highest number of net assets at 30 April of \$84.7m

Despite the highlights, the net assets per member have remained consistent over the last 8 years.

The contribution to the surplus was largely driven by non-cash adjustments as advised below:

- The fair value of managed investments increased from \$40.1m in 2023 to \$44.8m in 2024
- The annual actuarial review of Refund of Contributions (ROC) Liability resulted in a decrease of \$0.5m for 2024 with a total liability of \$26.7m, compared to a total liability of \$27.2m in 2023.
- The annual actuarial review of the Provision of Future Claims Expense modestly decreased by \$0.07m in 2024 totaling a liability of \$14.2m.

It should be noted that despite the increase in fair value movements of the managed investment, there was a decrease in the fair value of the Albert Road property by a further \$1.35m in 2024 (property value is currently \$14m).

I want to take the time to thank the MBF staff for their support of our members, of each other and of the Directors. The Membership team, Pip and David, strive to provide a high level of customer service. Linda from the Claims department personally manages each individual claim for benefits. Shalini and Katherine from the Finance team who maintain the financial operational system and financial reports. Aaron who manages MBF's IT and security requirements, as well as assisting with the facilities of the Albert Road building. And finally, our consultant Chris, whose knowledge of MBF and the overall industry has been invaluable. We are a small team, but we are a very capable team.

I would like to take this opportunity to acknowledge the extraordinary commitment of the MBF Directors who are all volunteers. Their time spent on MBF matters does not start and stop at Board meetings when they meet each month, but each Director is also involved in one or more of the four subcommittees. I am grateful to their families for supporting them in their duties as Trustees. The camaraderie shared by the Board highlights MBF's mantra of the Fund being 'Run By Pilots, For Pilots'.



Michelle Vong General Manager

Membership					
Financial Year Ending April 30	2024	2023	2022	2021	
Membership	3552	3474	3425	3426	
Average Age of Members	41	41	42	42	
Average Cover	\$688,160	\$698,288	\$675,412	\$674,505	
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Payments Made to Members	2024	2023	2022	2021	
Temporary / Monthly Benefit	44 \$2,130,805	41 \$2,284,124	42 \$2,027,256	43 \$2,436,376	
Permanent / Capital Benefit	10 \$4,743,800	7 \$3,097,445	15 \$8,384,319	10 \$5,051,408	
Death Benefit / Capital Benefit <sup>1</sup>	2 \$1,399,642	2 \$1,612,240	2 \$1,064,000	2 \$1,266,250	
Total of Benefits Paid	\$8,274,247	\$6,993,809	\$11,475,575	\$8,754,034	
Refund of Contribution	27 \$1,311,538	31 \$1,424,313	35 \$1,667,318	35 \$1,746,656	

#### RULES COMMITTEE REPORT

Whilst there was some hope that we might get a brief reprieve from significant Rules projects for a period post the 2023 changes, we were recently notified by one of our major software providers that one of our significant management platforms will no longer be supported.

Given that we had always contemplated a significant review of the product regarding its 'fitness for purpose' use, it is now important that we move the timeline up to meet this new challenge. Doing so, means we do not need to make any major software changes twice, should any substantial product change be required in the near future.

The 2023 Rules update has been functioning well for the most part with the intent of the Rules being clearer, which has somewhat been achieved. There is always a difficult tension between writing rules that are simultaneously clear to a casual reader whilst being sufficiently explanatory for the various complexities that arise out of individual Member's circumstances.

The Board will continue to work on making sure that Members are informed of the correct operation of the Rules and we continue to work on 'bite sized' education pieces around how the various aspects of the product operate.

The priority issues for the Rules Committee in 2024 will be to examine the product with a view for

incremental improvements in Benefits whilst managing the sustainability of the Fund. We are mindful that it must support subsequent generations of pilots and their families during any period of illness, injury or permanent loss of medical certification.

We encourage you all to keep a keen ear out for roadshow activities and summaries from your various pilot councils. This is your Mutual Benefit Fund and your candid feedback and constructive advice goes a long way to helping us understand what we can do better to support you the Member.



Capt. Matthew Nielse Chairperson of Rules/ Co-Chair of Property

#### RUDIT & RISK COMMITTEE REPORT

As Chairperson of the Audit and Risk Committee, I am pleased to provide the Annual Report for 2024.

The A&R committee forms a critical component of the overall governance and management of risk for the MBF. The committee ensures compliance with all legislative requirements and is highly focused on keeping the Fund free of adverse risk.

The Committee for 2024 comprises of myself as Chairperson, alongside Captains Simon King, Cameron Tribe and David Harget.

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 assesses the outcomes of the Statutory, AFS Licence and Internal Audits. On an annual basis the Committee meets with external auditors and the actuary for their presentation of their findings.

Discharging these responsibilities is challenging for those involved and I thank the Committee members for taking additional time from their personal life to assist in this process.

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.



Capt. Tim Glabbatz
Chairperson of Audit & Risk
Committee

# INVESTMENT COMMITTEE REPORT

Your Investment Committee, consisting of Captains David Harget, Matt Nielsen, Matt O'Keeffe and myself, met regularly during the MBF Year with our external Investment Advisors Ben James, Amanda Fong and Gemma Dawkins from Escala Partners. Presentations on economic updates, economic outlook and asset classes were provided by Tracey McNaughton, Chief Investment Officer, Simon Dawkins, Head of Capital Markets and David Bruty, Investment Analyst.

During the past MBF Financial Year, our Fund Advisor reported a return of 8.18% for the MBF Investment Portfolio. The MBF Financial Statements show a surplus of \$7.1m for the 2024 MBF financial year. This contributed to an increase in Total Assets to \$146.1m, of which around \$145m is invested, and an increase in the Net Asset position to \$84.7m. Investment income was substantially higher due to increased interest rates however slightly offset by lower rental income from direct property. The Portfolio benefited from a large holding in bluechip Australian shares but also from an increased exposure to International Equities.

The past year in the investment landscape has been characterised by a blend of market resilience, economic uncertainty and the ongoing evolution of global financial dynamics. Our advisors believe the year ahead will be one of transition. Growth in the major economies is expected to slow as the most

aggressive rate hikes in decades begin to bite into consumer spending and unemployment rises.

Declining inflation is opening the way for a modest global easing cycle. Risk asset, such as equities, should continue to perform well in this environment while floating rate bonds will likely underperform fixed rate bonds.

Consistent with good governance, the Investment Committee has recently concluded a request for tender and after presentations from several advisors, the Board approved the re-appointment of Escala Partners for a 3 year period. I would like to thank my fellow Investment Committee members for their support during this process and for their guidance during the year.



Capt. Steven Vidler
Chairperson of Investment
Committee



### FINANCIAL REPORT

Statement of financial performance (abbreviated) for the year ended 30 April 2024				
Revenue from ordinary activities	2024	2023		
Member contributions	\$10,246,404	\$9,692,890		
(Increase)/Decrease in Movement of Provision for Contribution Refunds	\$495,000	(\$818,000)		
Contribution refunds	(\$1,311,538)	(\$1,424,313)		
Sub-total	\$9,429,866	\$7,450,577		
Dividend and distribution on listed securities	\$3,423,999	\$4,734,098		
Interest on bank deposits and bank bills	\$1,146,318	\$468,146		
Rental and sundry income	\$702,891	\$836,578		
Total revenue from continuing operations	\$14,703,073	\$13,489,399		
Less expenses from continuing operations	2024	2023		
Disability benefits – lump sums	\$5,733,442	\$4,379,685		
Death benefits	\$410,000	\$330,000		
Disability benefits – monthly	\$2,130,805	\$2,284,124		
Increase/(Decrease) in Movement of Provision for Claims	(\$7,000)	\$4,430,000		
Sub-total	\$8,267,247	\$11,423,809		
Administration expenses	\$2,961,451	\$2,862,439		
Property expenses	\$98,775	\$70,847		
Total expenses from continuing operations	\$11,327,473	\$14,357,095		
Net profit/(loss) before changes in investments	\$3,375,600	(\$867,696)		
Net fair value gain/(loss) on investment securities	\$5,650,846	\$608,007		
Net fair value gain/(loss) on investment properties	(\$1,350,000)	(\$1,450,000)		
Profit/(loss) before income tax expense from continuing operations	\$7,676,446	(\$1,709,689)		
Income tax expense/(benefit)	\$1,788,650	\$175,878		
Profit/(loss) after income tax expense from continuing operations	\$5,887,796	(\$1,885,567)		
Profit/(loss) after income tax expense from discontinued operations	\$1,236,496	\$207,815		
Profit/(loss) for the period	\$7,124,292	(\$1,677,752)		

Statement of financial position (abbreviated) for the year ended 30 April 2024				
Assets	2024	2023		
Cash at call and receivables	\$11,008,794	\$10,577,691		
Term deposits (up to 90 days)	\$5,000,000	\$6,000,000		
Total current assets	\$16,008,794	\$16,577,691		
Fixed Interest	\$17,256,279	\$5,564,523		
Other financial assets at cost	\$53,865,292	\$50,966,927		
Change in fair value of other financial assets	\$44,770,597	\$40,140,731		
Total financial assets	\$115,892,168	\$96,672,181		
Assets classified as held for sale	\$0	\$9,200,000		
Investment properties, plant and equipment	\$14,143,305	\$15,493,455		
Other non current assets	\$133,702	\$542,930		
Total assets	\$146,177,969	\$138,486,257		

Liabilities	2024	2023
Payables	\$1,514,165	\$1,783,358
Current tax liabilities	\$640,216	\$290,746
Liabilities directly associated with assets classified as held for sale	\$0	\$35,000
Provisions – current and non current	\$41,013,769	\$41,494,300
Deferred tax liabilities	\$18,324,796	\$17,322,121
Total liabilities	\$61,492,946	\$60,925,525
Net assets	\$84,685,023	\$77,560,732
Total equity – retained earnings	\$84,685,023	\$77,560,732

Note: These abbreviated accounts reflect the audited accounts for the financial years of 2023 and 2024.





Michelle Vong General Manager



Pip Berquist Membership Manager



Linda Cordasic Claims Manager



Aaron Tams IT & Security Manager



Shalini Puthanveetil Finance Manager



Katherine Wengier Bookkeeper



David Munro Membership Assistant



Chris Henderson





Capt. David Harget Chairperson



Capt. Simon Brownscombe Co-Chairperson of Property Committee



Capt. Steven Vidler Chairperson of Investment Committee



Capt. Simon King



Capt. Walter Gowans



Capt. Matthew Nielsen Chairperson of Rules/ Property Committees



Capt. Tim Glabbatz Chairperson of Audit & Risk Committee



Capt. Matthew O'Keeffe



Capt. Cameron Tribe





