

AUSTRALIAN AIR PILOTS MUTUAL BENEFIT FUND

OVERVIEW FOR THE FUND PROPOSED RULE CHANGE EFFECTIVE 1 MAY 2025 & 1 MAY 2026

OVERVIEW OF CHANGES

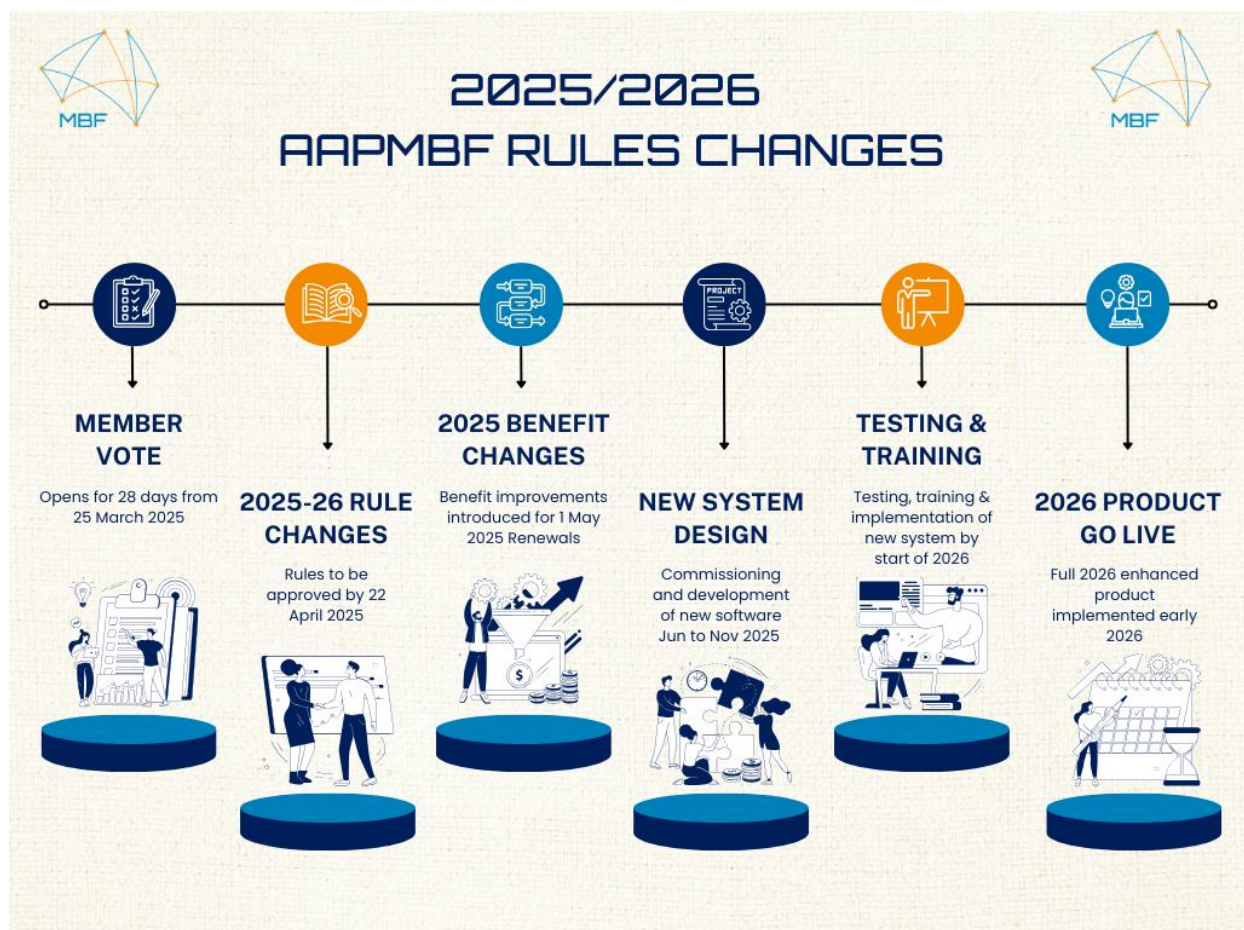
The Australian Air Pilots Mutual Benefit Fund (the Fund) last conducted a major review and update to its product in 2012. Whilst the product has provided fantastic support through monthly payments, capital and death benefits, the Trustee has heard your feedback regarding increased cover, the inflexible product structure and the need for new benefits.

We were advised in the opening months of 2024 that our current management software would cease to be supported from the end of 2026. As such, the Fund was presented with an important opportunity to bring together a complete review of the 'behind the scenes' operational components of the Fund, along with a new product and new features previously impossible to offer.

Due to the limitations imposed by the obsolescence of the current software and a desire to move to a greatly enhanced offering, the Trustee has proposed a phased rule change process that makes improvements in the 2025 Fund year and sets the groundwork for the 2026 product change.

This phased in approach allows improved Benefits to be available for delivery in 2025 because they are not system dependant. However, locking in the structure of the 2026 Rules is necessary before developing a new, robust and flexible suite of software applications using the latest technology. Hence the ballot to approve 2025 and 2026 Rule changes must be a single package to provide certainty for development of the new software.

The phased in approach allows us to offer the 2025 benefits which are supported by the current software, but the 2026 product restructure is dependent upon new software, as below;



CHANGES EFFECTIVE 1 MAY 2025

Introduction of the following new product features:

Higher Death Benefit

All Members will receive an automatic uplift of \$50,000 in their Death Benefit Coverage which will be calculated from a new base of \$150,000 (up from \$100,000). This will increase by \$10,000 each year of membership to a new limit of \$400,000 (but not greater than SCB) in the event of a Members' death.

Higher Refund of Contributions

The current cap on the maximum Refund of Contributions (ROC) to be increased from \$70,000 to \$75,000.

New Trauma Benefit

New access to financial support for Members suffering any one of the defined trauma events. Members can access up to the greater of \$100,000 or 10% of their Capital Benefit balance in the event of a severe injury or illness supported by the advice of the Fund Medical Advisors and Trustee discretion.

New Single Pilot / Multi Crew Benefit

Members who have their Class 1 Medical newly endorsed with an 'as or with co-pilot' limitation and cannot continue with their current employment, will be able to access up to 6 monthly benefit payments to assist with recovery and / or retraining. This can be extended by up to an additional 6 months at the discretion of the Trustee.

Higher Monthly Benefits

Maximum Monthly Benefit payments are now increased from \$12,000 to \$15,000 per month. This benefit is capped at one twelfth of the Claimant's annual Piloting Income or \$15,000 (whichever is the lower). Monthly Benefits for Members who are Unemployed will have their gross Monthly Benefit amount increase from \$8,000 to \$10,000.

Contractors will also have a maximum of \$15,000 or one twelfth of their annual Piloting Income (whichever is lesser), however a new minimum Monthly Benefit that is equivalent to the Unemployed Monthly Benefit amount is proposed.

CHANGES EFFECTIVE 1 MAY 2026

The changes brought forward in the 2025 Rules will all be carried forward to the 2026 Rules. Should the software platform be available at an earlier stage, the Fund will provide the minimum 28 days' notice' to all Members for an earlier implementation.

The proposed changes for the 2026 Rules are as follows:

Maximum Cover Increased to \$1.2M

Members can choose a level of cover from \$100,000 up to \$1,200,000 in increments of \$1,000 and not be limited to the block cover of \$200,000 under Premium Capital Benefit. Maximum cover will begin to decrease from Age 50, however the maximum cover available is more than what is currently offered for all age groups.

Eligibility

For all new applications for Membership, after introduction of the 2026 Rules, there is a new requirement to be an AFAP Full Member instead of an AFAP Financial Member. Renewing Members will still be eligible as AFAP Financial Members.

For all new applicants, after introduction of the 2026 Rules the maximum joining age will be increased to age 55.

Blended Product – SCB / PCB and Joining Bands

The current Standard Capital Benefit (SCB) / Premium Capital Benefit (PCB) and Joining Bands will cease to operate from the implementation of the 2026 Rules.

SCB and PCB will be replaced by a **Nominated Capital Benefit (NCB)** which is calculated as a rate per \$1,000 of cover from \$100,000 to a maximum of \$1,200,000 (limited by attained age). The 2026 Rules provide that the NCB will be the same as your cover which you have chosen in the 2025 Renewal period. This cover may be increased from 1st May 2026 in accordance with the new Rules.

Contributions for the new NCB are calculated as a single scale rate per \$1,000 cover. For each year of age (18-40), an increasing single rate applies. For Members who joined from age 41-56, an additional annual percentage loading is applied to the single rate per \$1,000 cover.

Moving forward, your contributions rate will be determined by your current age and age of joining. This will make calculating and understanding your cover and contributions easier for both you and the Fund.

Future Contributions to the NCB will be included in your ROC (Previously SCB Contributions Only)

This corrects several issues around the previous model which was less flexible and occasionally counter intuitive. For instance, under the previous structure it was required that Members access the maximum amount of SCB (max \$600,000) before accessing the PCB of \$200,000 which had to be purchased as a full block rather than as \$1,000 increments to match Member needs.

Timing of Full Capital Benefit Entitlement

For new Members, the access to benefits is currently restricted to 50% in their first year of being a full member of the Fund.

Under the proposal, this will change to 50% in the first year of being a full member of the Fund, 75% in their second year of being a full member of the Fund and full eligibility from thereon.

Current Members and Members who join before the implementation of the 2026 Rules will not be affected on their existing cover; however, the new rule will apply to any increases in cover thereafter.

Transitional Rule - Capping of Contribution Increases

The Trustee acknowledges that whilst a very large cohort of Members will slightly benefit under the proposed single scale of contributions, some members, especially those who joined the Fund very late in their career, those that have complex multiple levels of cover and those who are approaching retirement, might be unfavourably impacted.

Whilst our analysis indicates that a considerable minority of the membership would have to pay significantly more for the current level of cover, we still want to make sure that people can maintain their membership.

As such, the Trustee will accept applications to have increase in contributions capped at a maximum of \$250 for the current level of cover on transition.

Changing NCB Levels and Medical Assessment

Under the current Rules, Members are somewhat limited in their ability to change levels of cover after 40 years of age. This doesn't take into account the changing nature of work, the industry and the 'best fit' for member needs.

From 2026, Members will be able to change levels of cover in \$1,000 increments to match the requirements of their own financial circumstances. This might be a reflection of changing circumstances like starting a family, changing jobs or getting an increased employer reimbursement. Ultimately, it's about the product being the right fit for the Member.

As there will be much greater scope for changing levels of cover, the Trustee will continue to make risk-based decisions regarding referral for medical assessment for newly declared medical event or condition.

A Member may nominate their cover at the commencement of the Fund year as they see fit. The Trustee may require a medical assessment for any declared medical event or condition. When changing levels of cover, the Trustee reserves the right to deny increases where the risk cannot be managed whilst preserving the cover for which the Member had previously contributed.

Third Party Liabilities and 'Top up' Payments

The Fund has reviewed anomalies imposed by the '36 month' rule. This is to make clear that Claimants will remain eligible for assessment for a Capital Benefit even where a third party, such as Workcover, exceeds 36 months.

Additionally, we have incorporated feedback around the wording of payments under 'Enterprise Agreement terms' to make it clear that the Rules are specifically referencing 'top up' payments and similar arrangements that can be found in some Enterprise Agreements.

The intention of this Rule is not to arbitrarily restrict eligibility for Benefits. It is however important that Members who are injured in the workplace or elsewhere (where they would be able to receive compensation or similar), make full provision of available compensation before drawing on their MBF Benefits.

This is in the best interests of the Member as they retain access to the full entitlements of the providers and preserve their MBF Benefits until such time as permanence is established and the Workcover or equivalent process is resolved.

Bear in mind, a third-party would likely offset MBF Benefits received by a Member against their third-party payments.

The MBF does not offset payments.

Limited Cover – Changes to Payments

Previously, Limited Cover involved a complex interaction between time in the Fund and percentages of cover. This also gave rise to multiple calculations for each time a change in cover was made by the Member.

Moving forward, where a medical condition has Limited Cover applied, 50% of Benefits apply to the applicable Limited Cover condition.

Regaining a Class 1 After a Capital Payment and Deeds of Acknowledgement

It is practice for the Trustee to request a Deed be signed as a part of the payment of a Capital Benefit sum. This is proposed to be included in the Rules so that expectations are managed.

The Rules have very clear requirements regarding the establishment of the permanent loss of a Class 1 Medical. Unfortunately, there have been instances where a Member has received a full Capital Benefit Balance payment and then returned to work with an unrestricted Class 1 Medical. As such, a Deed may include reasonable timeframes for a claw back of the Capital sum as appropriate.