



MBF

2022

AUSTRALIAN AIR PILOTS  
MUTUAL BENEFIT FUND  
ANNUAL REPORT

# A WORD FROM THE CHAIRMAN

As the world continues to learn to live with Covid-19, it was pleasing to see Australia reopening its borders to international travellers in February 2022 after being closed for almost two years. Despite the major disruption to the aviation industry and the unknown impacts it would have on MBF, member numbers have remained consistent with 3,425 at 30 April 2022, decreasing by one compared to 2021. This minimal decrease was assisted by members returning to work and also new members entering the aviation industry.

MBF is obliged to be a member of an external complaints scheme as part of its AFS Licence condition and as such subscribes to the Australian Financial Complaints Authority (AFCA), being the only organisation available. If there are disputes or complaints against MBF an internal dispute resolution process is followed, however if the matter is not resolved members may choose to lodge a complaint with AFCA. MBF has encountered an increased number of AFCA matters in 2022, which continues a trend over recent years.

In the recent examples, the Board has encountered difficulties with claims matters where there is a difference of opinion as to whether the medical condition can be treated and the member regain their Class 1. There have also been cases where the cause of the loss of the Class 1 falls outside the scope of the Rules, such as self-harm, drugs or alcohol, exceptional danger and criminal behaviour. In these cases, the principles of the Rules do not

support the claim but AFCA has taken a different view, which MBF has found difficult to reconcile with the rules. Therefore, the Rules Committee is now working on a set of proposals to improve the clarity of what types of actions causing loss of Class 1 are not covered and to list the illnesses and injuries that the Fund does not cover. These rule amendments will be submitted to members in 2023.

The highlights of the 2021/22 financial year have included the following:

- A loss of \$1.2m for 2022 after a surplus of \$17.92m in 2021 due to non-cash adjustments which are noted below and further detailed in the General Manager's report.
- Investment dividend income increased in 2022 despite the minimal movement in fair value, this in comparison to the strong recovery from the effects of the pandemic in 2021.
- The MBF property investments were revalued resulting in a \$1.2m reduction.
- A slight reduction in the provision of refunds of contributions \$0.3m and in the provision of future claims expenses \$0.6m.
- In 2022 MBF had 35 members that reached the end of their aviation careers and paid out \$1.667m in refunds of contributions (ROC) compared to \$1.747m in 2021.
- \$2.027m was paid to 42 members on temporary benefits (\$2.436m to 43 members in 2021).



- 15 members unfortunately failed their Class 1 permanently in 2022 and MBF provided \$8.384m in capital payments (10 members for \$5.051m in 2021).
- Sadly, two death benefits were paid in 2022, which was the same number of death benefits paid in 2021.

Again, the workload for the MBF volunteer Directors and MBF Team remained high during 2021/22. With the resumption of the aviation industry the Directors had the added pressure in training to return to work. My sincere appreciation is expressed to all Directors and MBF Management Team for their continual service in meeting each month, whether virtually or in person, to review and discuss the further development of MBF's assurance in protecting the security of our members' cover. I extend my appreciation to Captain Kym Donaldson, who after 11 years of service will retire in October 2022.



Captain David Harget  
Chairman

# THE GENERAL MANAGER'S REPORT

Nearly 2.5 years on from when COVID was first reported we still find ourselves adapting to the new normal. It is great to see the recommencement of the tourism industry and our fellow Members returning to work.

Despite having to report a loss of approximately \$1.2m for the 2022 financial year in comparison to the surplus of \$17.9m in 2021, MBF's liquidity remained strong and was able to process 17 capital payments, including 2 death payments, in this financial year 2022. This compared to the 12 capital payments, which also included 2 death payments, in 2021.

Other non-cash adjustments affecting the loss included:

- A change in fair value of investments in equities, managed funds, fixed interest and other financial assets from \$41.87m in 2021 to \$39.31m at the end of 2022.
- A revaluation of the fair value of the investment properties from a total of \$27.2m in 2021 to \$26.0m (\$16.8m for South Melbourne and \$9.2m for Box Hill) in 2022.
- The annual actuarial review of ROC Liability resulted in a further minimal decrease of \$0.3m for 2022 compared to \$0.5m in 2021. The main factors contributing to the decrease include the increase in the assumed discount rate and in the claims handling expense.

- The annual actuarial review of the Provision of Future Claims Expense decreased in 2022 of \$0.6m compared to the decrease by \$2.3m in 2021.

My sincere appreciation to the Directors for their ongoing support to the Staff and MBF Members by giving up their time on a voluntarily basis. Their dedication highlights the MBF mantra of 'Run By Pilots, For Pilots' as the Directors continue to act in the best interests of their fellow pilots.

A special thank you to Captain Kym Donaldson who will retire at the conclusion of the 2022 AGM. Kym has served as an MBF Trustee for over 10 years and has been heavily involved with the Investment Committee in building MBF's capital assets over the years. Kym also previously chaired the Audit and Risk Committee.

Thank you to my fellow colleagues:

- Pip Berquist, Asha Monteiro and Emily Vo, from the Membership Team. The efforts that go into every Member interaction to make the Membership process seamless is commendable.
- Christine Simpson, MBF's Claims Manager. Another year of growing numbers in Claimants and your ability to execute and process each claim has no doubt provided that financial peace of mind for the members; the reason MBF exists.

• Aaron Tams, MBF's IT and Security Manager. Adapting to the continuous changes in the technological world is challenging, as it continues to grow into all areas of life and business. The Directors and I appreciate your efforts in keeping MBF's security level tight to minimise the risk of any potential breach.

• Shalini Puthanveetil and Katherine Wengier, from the Finance Team. Since joining the team in October 2021 and March 2022 respectively, both your ability to quickly learn the MBF business, exercise the finance processes and produce the Financial Reports for review each month is admirable.

Lastly, I wish to extend my appreciation to Chris Henderson, MBF's former Business Manager, who has remained on as the MBF's Consultant. Your experience and knowledge of not just MBF, but the overall operations of the business is truly valued.

The MBF Team at both Board and Staff level are continuously looking for ways to improve the organisation through its products and operations.

We look forward to working towards a more successful 2023.



Michelle Vong  
General Manager



# AUDIT & RISK COMMITTEE REPORT

Membership				
Financial Year Ending April 30	2022	2021	2020	2019
Membership	3425	3426	3454	3304
Average Age of Members	42	42	41	41
Average Cover	\$675,412	\$674,505	\$683,021	\$680,058
Payments Made to Members				
Financial Year Ending April 30	2022	2021	2020	2019
Temporary / Monthly Benefit	42 \$2,027,256	43 \$2,436,376	39 \$1,695,797	31 \$1,429,744
Permanent / Capital Benefit	15 \$8,384,319	10 \$5,051,408	10 \$5,746,685	11 \$6,108,825
Death Benefit / Capital Benefit <sup>1</sup>	2 \$1,064,000	2 \$1,266,250	2 \$1,392,640	0 \$0
<b>Total of Benefits Paid</b>	<b>\$11,475,575</b>	<b>\$8,754,033</b>	<b>\$8,835,122</b>	<b>\$7,538,569</b>
Refund of Contribution	35 \$1,667,318	35 \$1,746,656	32 \$1,596,461	27 \$1,036,245

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



As Chairman of the Audit and Risk Committee, I present the Annual Report for 2022.

The A&R Committee is a vitally integral component of the overall Governance and Risk Management framework of the MBF and exists to ensure your Fund is maintained at all times in a state that both complies with all of its legislative obligations and also remains free of adverse risk.

The Committee's performance, activities and functionality are regulated externally by legislation and internally by Charters and Policies. The Committee is charged with the responsibility of overseeing all of the MBF's audit processes plus identifying and managing any area of potential risk to the MBF's operations or assets.

The committee comprises of myself (Chairman), Captains Walter Gowans, Timothy Glabatz and David Harget.

Annually the Committee instigates, manages and assesses the outcomes of the Statutory, AFS Licence and Internal Audits. These audits are externally conducted and exist to monitor the governance, compliance and risk levels of the Fund.

Additionally, the committee commissions and oversees internal actuarial assessments and modelling.

During the 2021/22 Fund year the Committee held regular meetings to discharge its responsibilities, including;

- Meeting with the Fund's various Auditors
- Reviewing internal policies and procedures
- Providing Audit Committee meeting minutes and reports to the Board
- Overseeing preparation of end of year final accounts
- And most importantly identifying and managing areas of potential risk

Discharging these responsibilities is challenging for those involved and a special note of thank you goes to our MBFs financial staff and my fellow Committee Members for their considerable efforts over the past year.

The performance of the Audit and Risk 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 Simon Brownscombe  
Chairman of Audit & Risk Committee

# INVESTMENT COMMITTEE REPORT

Your Investment Committee, consisting of Captains Kym Donaldson, Matthew Nielsen, David Harget and myself, met regularly (occasionally in person though mainly via video-conference) 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.

The MBF Financial Year saw asset classes within the MBF Investment Portfolio deliver returns broadly in line with their respective indices. Our Fund Advisor reported a return of 4.67% for the MBF Investment Portfolio during the MBF Financial Year. A re-evaluation of the MBF direct property resulted in a \$1.2 million write-down, and a substantial increase in claims costs for the year resulted in a requirement to transfer funds from the MBF Investment Portfolio for use in operations. These factors combined to produce a slight decrease (around 2%) in the MBF Investment Portfolio, MBF total assets and net assets.

Investment income continued to recover with Australian companies, especially resource companies, increasing dividend payouts, and also with a slight increase in term deposit rates and rental payments. The MBF's Fixed Income portfolio is positioned to benefit from increasing interest rates with substantial investment in floating rate investments.

As for our current year, our advisors believe that financial markets are oscillating between concerns about inflation and growth. With persistent price pressures straining household budgets, consumer spending, the single largest component of any economy, is slowing. Consumers are spending more on fuel, food, housing, and utilities, and are cutting spending on discretionary items like dining out. Despite higher inflation, rising interest rates and slowing growth, corporate earnings remain surprisingly resilient. Some easing in earnings should be expected as growth slows further but healthy household balance sheets supported by strong labour markets may limit the extent of the decline. This will bode well for more resilient equity markets in 2023.

I would like to thank my fellow Investment Committee Members for their support and guidance during another challenging year for investment markets and for our industry. Finally, Captain Kym Donaldson, former Investment Committee Chairman, retires this year. Much of the MBF Investment Committee's current structure and policies are the result of Kym's dedication, and I would like to thank him on behalf of the Investment Committee for his service and wish him all the best in retirement.



Captain Steven Vidler  
Chairman of Investment Committee



# FINANCIAL REPORT

Statement of financial performance (abbreviated) for the year ended 30 April 2022		
Revenue from ordinary activities	2022	2021
Member contributions	\$8,958,621	\$8,749,555
(Increase)/Decrease in Movement of Provision for Contribution Refunds	\$283,000	\$560,000
Contribution refunds	(\$1,667,318)	(\$1,746,657)
Sub-total	\$7,574,303	\$7,562,898
Dividend and distribution on listed securities	\$4,490,806	\$3,089,332
Interest on bank deposits and bank bills	\$54,821	\$50,177
Rental and sundry income	\$1,235,935	\$1,247,668
<b>Total revenue from continuing operations</b>	<b>\$13,355,865</b>	<b>\$11,950,075</b>
Less expenses from continuing operations	2022	2021
Disability benefits – lump sums	\$9,068,319	\$6,057,658
Death benefits	\$380,000	\$260,000
Disability benefits – monthly	\$2,027,256	\$2,436,376
Increase/(Decrease) in Movement of Provision for Claims	(\$649,000)	(\$2,292,400)
Sub-total	\$10,826,575	\$6,461,634
Administration expenses	\$2,809,238	\$2,439,234
Property expenses	\$35,871	\$170,522
<b>Total expenses from continuing operations</b>	<b>\$13,671,684</b>	<b>\$9,071,390</b>
<b>Net profit/(loss) before changes in investments</b>	<b>(\$315,819)</b>	<b>\$2,878,685</b>
Net fair value gain/(loss) on investment securities	\$796,038	\$15,426,922
Net fair value gain/(loss) on investment properties	(\$1,200,000)	\$6,780,000
<b>Profit/(loss) before income tax expense</b>	<b>(\$719,781)</b>	<b>\$25,085,607</b>
Income tax expense/(benefit)	\$476,293	\$7,166,708
<b>Profit/(loss) for the period</b>	<b>(\$1,196,074)</b>	<b>\$17,918,899</b>

Statement of financial position (abbreviated) for the year ended 30 April 2022		
Assets	2022	2021
Cash at call and receivables	\$9,945,156	\$6,983,949
Term deposits (up to 90 days)	\$4,000,000	\$5,000,000
<b>Total current assets</b>	<b>\$13,945,156</b>	<b>\$11,983,949</b>
Term deposits (more than 90 days)	\$0	\$0
Fixed Interest	\$4,001,158	\$2,694,690
Other financial assets at cost	\$51,929,413	\$54,433,415
Change in fair value of other financial assets	\$39,305,065	\$41,868,334
<b>Total financial assets</b>	<b>\$95,235,636</b>	<b>\$98,996,439</b>
Investment properties, plant and equipment	\$26,156,637	\$27,410,750
Other non current assets	\$155,776	\$153,245
<b>Total assets</b>	<b>\$135,493,205</b>	<b>\$138,544,383</b>
Liabilities	2022	2021
Payables	\$1,642,463	\$2,238,363
Current tax liabilities	\$1,283,382	\$680,934
Provisions – current and non current	\$36,259,600	\$37,171,700
Deferred tax liabilities	\$17,069,276	\$18,018,828
<b>Total liabilities</b>	<b>\$56,254,721</b>	<b>\$58,109,825</b>
<b>Net assets</b>	<b>\$79,238,484</b>	<b>\$80,434,558</b>
<b>Total equity – retained earnings</b>	<b>\$79,238,484</b>	<b>\$80,434,558</b>

Note: These abbreviated accounts reflect the audited accounts for the financial years of 2021 and 2022.

# 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



Christine Simpson  
Claims Manager



Aaron Tams  
IT & Security Manager



Shalini Puthanveetil  
Accounts Manager



Katherine Wengler  
Bookkeeper



Asha Monteiro  
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  
Chairman



Capt. Simon Brownscombe  
Chairman of Audit & Risk  
Committee



Capt. Steven Vidler  
Chairman of Investment  
Committee



Capt. Kym Donaldson



Capt. Walter Gowans



Capt. Matthew Nielsen  
Chairman of Rules  
Committee



Capt. Tim Glabatz



Capt. Matthew O'Keeffe



Capt. George Mackison



“AVIATION IS PROOF THAT  
GIVEN THE WILL, WE HAVE  
THE CAPACITY TO ACHIEVE  
THE IMPOSSIBLE.”

EDDIE RICKENBACKER





**AUSTRALIAN AIR PILOTS  
MUTUAL BENEFIT FUND**

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