

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Our People

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

4.1 EMPLOYEE PROVISIONS

	2021 \$'000	2020 \$'000
Current employee provisions		
Employee benefits		
Recreation leave	46,475	53,708
Long service leave	150,141	142,623
Separations and redundancies	6,396	7,117
Pre-Comcare Workers compensation	259	272
Total current employee provisions	203,271	203,720
Non-current employee provisions		
Employee benefits		
Long service leave	31,688	33,532
Separations and redundancies	4,664	1,377
Pre-Comcare Workers compensation	2,073	2,114
Total non-current employee provisions	38,425	37,023

Description of provision

Employee benefits:

Workers compensation

These provisions represent Airservices self-insured liability for workers compensation prior to 1 July 1989, which is calculated annually by an independent actuary.

Separations and redundancies

This includes \$5.8m (2020: \$6.7m) in early retirement benefits, which have been elected to be taken by employees as a lump sum on retirement and \$3.6m (2020: \$1.8m) for redundancy provisions.

The provision for early retirement benefits includes \$5.5m (2020: \$6.3m) for ATC employees who were employed by Airservices on 1 July 1998 and continue to meet the eligibility requirements under the relevant enterprise agreement.

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ACCOUNTING POLICY

Employee benefits

Salaries, wages and termination benefits

Liabilities for short-term employee benefits and termination benefits expected to be wholly settled within 12 months of the end of the reporting period are measured at their nominal amounts. Liabilities for salary and wages are recognised and are measured as the amount unpaid at the reporting date at pay rates which will be applicable when paid, in respect of employees' services up to that date.

Recreation leave

The provision for recreation leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Accordingly, the employee benefit provision is measured as a long-term benefit by calculating the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Long service leave and early retirement benefit

Employee benefit provisions for long service leave and early retirement benefits are assessed by qualified actuaries on an annual basis. Various actuarial assumptions are required when determining Airservices obligations, and these are discussed below.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. A liability for early retirement benefit is recognised within the provision for separations and redundancies in accordance with the applicable Enterprise Agreement, and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds (AA and AAA-rated bonds only) with terms to maturity that match, as closely as possible, the estimated future cash outflows.

On-costs associated with recreation leave and long service leave are classified as separate provisions from employee benefits, in accordance with section 24 of the FRR and is recognised in Other Provisions, Note 2.5.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.2 DEFINED BENEFIT FUND ASSET

Superannuation plan

Airservices is the principal sponsor of the superannuation fund, AvSuper. The plan has a defined benefit scheme and a defined contribution section. The defined benefit section provides benefits based on the length of service and final average salary. The defined contribution section receives fixed contributions, and Airservices legal or constructive obligation is limited to these contributions.

The following sections set out details relating only to the defined benefits section of the Plan. Note that the defined benefits section has been closed to new membership since 2002.

	2021 \$'000	2020 \$'000
Benefit asset		
<i>The amounts recognised in the statement of financial position are determined as follows:</i>		
Present value of the defined benefit obligation	(679,738)	(698,840)
Fair value of defined benefit plan assets	865,338	842,378
Net benefit asset - non-current	185,600	143,538
Categories of plan assets		
<i>The major categories of plan assets are as follows:</i>		
Cash	134,478	101,875
Equity instruments	407,772	399,877
Debt instruments	110,964	133,358
Other assets	212,124	207,268
	865,338	842,378
Reconciliations		
<i>Reconciliation of the present value of defined benefit obligation:</i>		
Balance at the beginning of the year	698,840	710,657
Current service cost	23,804	25,621
Contribution by members	8,790	9,142
Interest cost	18,180	19,936
Remeasurements		
Effect of changes in financial assumptions	33,065	(13,416)
Effect of experience adjustments	(25,829)	2,081
Benefits paid	(77,112)	(55,181)
Balance at the end of the year	679,738	698,840
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	842,378	921,059
Interest Income	22,181	26,180
Remeasurements		
Return on plan assets (excluding interest income)	68,846	(59,118)
Contribution by Airservices	256	295
Contribution by members	8,790	9,142
Benefits paid	(77,113)	(55,180)
Balance at the end of the year	865,338	842,378

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.2 DEFINED BENEFIT FUND ASSET CONTINUED

Net amount recognised in the Statement of Comprehensive Income

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2021 \$'000	2020 \$'000
i. Defined benefit cost recognised in profit or loss		
Current service cost	23,804	25,621
Interest on the net defined benefit asset	(4,001)	(6,244)
Total included in employee benefits expense	19,803	19,377
ii. Remeasurements (recognised in Other Comprehensive Income)		
Effect of changes in financial assumptions	33,065	(13,416)
Effect of experience adjustments	(25,829)	2,081
Return on plan assets (excluding interest income)	(68,846)	59,118
Total remeasurements included in Other Comprehensive Income - (gain)/loss	(61,610)	47,783
iii. Total defined benefit (gain)/loss recognised in the Statement of Comprehensive Income	(41,807)	67,160
Actual return on plan assets	100,956	(11,139)

Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2021	2020
Discount rate	2.90%	2.70%
Future salary increases - short term	2.90%	3.10%
Future salary increases - long term	3.90%	3.10%

The economic assumptions used by the actuary to make the funding arrangements were:

- a discount rate of 2.9 per cent p.a. derived by applying the yield curve reported by Milliman to the expected cash flows of AvSuper and equating this to a single equivalent rate.
- the salary increase rate assumption is equivalent to a liability weighted single rate assumption of 3.8 per cent p.a.

Sensitivity analysis

A sensitivity analysis for the key actuarial assumptions, holding other assumptions constant, and their potential impact on the defined benefit obligation are shown below.

	Increase \$'000	Decrease \$'000
2021		
Discount rate (0.5% movement)	37,812	(36,928)
Future salary increases (0.5% movement)	(33,769)	35,836
2020		
Discount rate (0.5% movement)	38,843	(35,826)
Future salary increases (0.5% movement)	(33,430)	36,987

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.2 DEFINED BENEFIT FUND ASSET CONTINUED

Maturity profile

The following payments are expected to be made in future years out of the defined benefit plan obligation.

	2021 \$'000	2020 \$'000
Undiscounted Benefit Payments		
1 year or less	45,214	47,541
2 to 5 years	215,427	227,503
5 to 10 years	242,846	244,318
Greater than 10 years	762,597	744,749
Total expected payments	1,266,084	1,264,111

The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years (2020: 9 years).

Employer contributions

Employer contribution rates are reviewed by the Employer as required under the Trust Deed. The Trustee receives advice on contribution rates with each actuarial investigation of the Plan undertaken for the Trustee. The Employer also reviews contributions rates as required if the financial position of the plan deteriorates. An actuarial investigation of the Plan is made each year (current practice), and the last such assessment was made as at 30 June 2020. This disclosed a surplus of \$233.8m. An actuarial investigation meeting requirements of the *Superannuation Industry (Supervision) Act 1993* is undertaken every three years.

For the year ended 30 June 2021, the employer contribution rate was:

- 3 per cent of gross salary for those employees who remain members of the Commonwealth Superannuation Scheme (CSS category) (2019-20: 3 per cent);
- From 1 July 2018, a contribution holiday was applied for other Airservices employees who are full members (FULL) accruing a defined benefit under Division 2 of the Trust Deed.

The Employer and Trustee have in place an agreement on the contributions required should the Fund's financial position become unsatisfactory.

The objectives in setting the contribution rate are to ensure:

- i. the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable, and;
- ii. there is a low probability that the assets are insufficient to meet the minimum benefit liabilities of the Fund should it terminate.

To achieve the first objective, the actuary has adopted a method of funding benefits known as the Attained Age Normal funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their remaining working lifetimes. To achieve the second objective, the actuary undertakes scenario testing of the short-term financial position of the Plan.

Employer contributions expected to be paid by Airservices for the year ending 30 June 2022 are \$0.2m due to the contribution holiday for FULL members, not including any additional contributions required.

Net Financial position of the plan

In accordance with AAS 25 Financial Reporting by Superannuation Plans, the Plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of Plan assets. This was determined as at the date of the most recent financial report of AvSuper (2020) when a surplus of \$233.8m was reported. Last year in these financial statements, Airservices recognised a defined benefit asset of \$143.5m at 30 June 2020. The difference between the amounts is due to the different accounting treatment of the net financial position for the employer under AASB 119, and the Plan under AAS 25.

As at 30 June 2021, these financial statements disclose a defined benefit asset of \$185.6m (2020: \$143.5m). AvSuper's net financial position for the Plan under AAS 25 will not be available until after these financial statements have been signed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

Superannuation

Contributions are made predominantly to AvSuper (sponsored by Airservices) and Commonwealth Superannuation Corporation (ComSuper), which administers the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation (PSS) funds. AvSuper has a defined benefit section and an accumulation section within its fund. Contributions to the AvSuper defined benefit fund are made in accordance with advice received from the fund's actuary. Contributions to accumulation funds are in accordance with the organisation's Enterprise Agreement(s) and other employee contracts, having regard to legislative requirements. Contributions to ComSuper for the PSS and CSS funds are in accordance with actuarial reports, as notified by the Department of Finance.

Contributions to all funds except the AvSuper defined benefit fund are recognised as an expense as they become payable. With respect to the AvSuper defined benefit fund, the net interest on the net defined benefit asset is recognised in the profit before income tax, whereas actuarial gains and losses are recorded in other comprehensive income.

A liability or asset in respect of the AvSuper defined benefit superannuation plan is recognised in the Statement of Financial Position and is measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets as outlined above. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interpolation between the yield on high-quality corporate bonds (AA and AAA-rated bonds only) that have terms approximating to the terms of the related obligation. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

ACCOUNTING JUDGEMENTS AND ESTIMATES

AvSuper defined benefit plan

Various actuarial assumptions are required when determining Airservices obligations under the AvSuper defined benefit plan. The assumptions relied on for the period to 30 June 2021 are discussed above.

Long Service Leave and Early Retirement Benefits

Various actuarial assumptions are required when determining Airservices obligations for long service leave and the early retirement benefit scheme. The long-term employee benefit assumptions relied on for the period to 30 June 2021 are based on enterprise agreements that were applicable during the financial year. These include a 2.9 per cent annual salary increase for the first four years and 3.9 per cent p.a. thereafter, staff turnover rates ranging from 7 per cent to 19 per cent (depending on period of service), and average long service leave taken of 0.23 months per annum. The Discount Rate is derived from a yield curve based on interpolation of high-quality corporate bonds (AA and AAA-rated bonds only) based on the durations to reflect the estimated mean term of the liabilities, they are as follows:

Liability	Mean term	Corporate Bonds	Discount Rate
Defined Benefits	9.0 years	Discount rate derived by applying Milliman's yield curve to expected cashflows of AvSuper and equating this to a single rate	2.9% p.a.
Long Service Leave	6.5 years	7 year and 8 year	2.0% p.a.
Early Retirement Benefit	3.8 years	4 year and 5 year	1.1% p.a.
Recreation leave	0.7 years	Discount rate derived by applying Milliman's short term yield curve (1 year and 2 year)	0.2% p.a.

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4.3 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Airservices, directly or indirectly, including any Board member. Key management personnel remuneration is reported in the table below:

	2021 \$'000	2020 \$'000
Key executive remuneration expense for the reporting period		
Board		
Short-term employee benefits:		
Salary	723	660
Allowances and other benefits	17	33
Total short-term employee benefits	740	693
Post-employment benefits:		
Superannuation (post-employment benefits)	70	64
Total post-employment benefits	70	64
Total Board remuneration	810	757

The information about non-executive Board members included in the table above relates to 10 individuals (2020: 10 individuals).

	2021 \$'000	2020 \$'000
Key Executive Management		
Short-term employee benefits:		
Salary ¹	3,387	2,977
Allowances and other benefits	174	119
At-risk component ²	-	-
Total short-term employee benefits	3,561	3,096
Post-employment benefits:		
Superannuation (post-employment benefits)	310	294
Total post-employment benefits	310	294
Other long-term benefits:		
Long service leave	79	43
Total other long-term benefits	79	43
Total Key Executive Management remuneration	3,950	3,433
Total key management personnel remuneration³	4,760	4,190

Airservices has determined the key management personnel to be the Board members, Chief Executive Officer and 7 Executive General Managers. The information about executives included in the above table relates to 7.3 Full-Time Equivalents (FTEs) (2020: 7.1 FTEs).

¹ Salary includes recreation leave paid and the net movement in recreation leave balance in the current reporting period. Prior year comparative for recreational leave has moved from other long-term benefits to short-term employee benefits.

² Executive remuneration packages include an at-risk element that is awarded based on executives meeting or exceeding objectives and key performance measures, which are linked to specific annual business objectives.

³ The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.4 RELATED PARTY TRANSACTIONS

(A) BOARD MEMBERS

The names of persons who were Board members of Airservices during the financial year and up to the date of signing these financial statements are as follows:

	Status	Commenced	Finished
Chairman			
John Weber	On-going	6 April 2017	Current
Deputy Chair			
Mark Binskin	Ceased	13 September 2018	31 July 2021
Board members			
Fiona Balfour	Ceased	3 June 2013	2 September 2020
Anne Brown	On-going	4 December 2019	Current
Sue-Ellen Bussell	On-going	4 December 2019	Current
Eileen Doyle	On-going	21 April 2021	Current
Marlene Kanga	On-going	4 September 2017	Current
David Marchant	On-going	21 July 2014	Current
Timothy Rothwell	Ceased	21 July 2014	20 April 2021
Lawrence Turner	On-going	3 March 2021	Current
Chief Executive Officer			
Jason Harfield	On-going	11 August 2015	Current

(B) EXECUTIVES

The names of persons who were Executives of Airservices during the financial year (excluding the CEO, included above) and up to the date of signing these financial statements are as follows:

	Title	Commenced	Finished
Executives			
Peter Curran	Chief Customer Experience & Strategy Officer	6 May 2019	Current
Michelle Bennetts	Chief Service Delivery Officer	16 April 2018	Current
Nicole Devlin	Chief Communications Officer	29 March 2021	Current
Lucinda Gemmell	Chief People & Culture Officer	1 June 2020	Current
Paul Logan	Chief Financial Officer	2 July 2015	Current
Mark Hind	Chief Technology Enablement Officer	27 April 2020	Current
Claire Marrison	Chief Safety & Risk Officer	3 November 2018	Current
Robert Porter	Executive GM Aviation Rescue Fire Fighting Services	7 January 2019	30 August 2020

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(C) TRANSACTIONS WITH RELATED PARTIES

Certain Board member-related entities have transactions with Airservices that occur within normal customer or supplier relationships on terms and conditions no more favourable than those which it is reasonable to expect Airservices would have adopted if dealing with the Board member-related entity at arm's length in similar circumstances. These transactions include the following entities and have been described below where the transactions are considered likely to be of interest to users of these financial statements:

2021

- Airservices provided payments to Civil Aviation Safety Authority amounting to \$182,369 for the period 1 July 2020 to 30 June 2021, during which time Mark Binskin was Deputy Chair of the Airservices Board and was a Chair-designate of Civil Aviation Safety Authority from 19 August 2021.
- Airservices provided payments to Recreational Aviation Australia amounting to \$25,000 for the period 1 July 2020 to 30 June 2021, during which time Mark Binskin was both Deputy Chair of the Airservices Board and a member of Recreational Aviation Australia.
- Airservices received payments from Australian Warbirds Association amounting to \$384 for the period 1 July 2020 to 30 June 2021 during which time Mark Binskin was both Deputy Chair of the Airservices Board and a member of the Australian Warbirds Association.
- Airservices provided payments to Klynveld Peat Marwick Goerdeler (KPMG) under a standing panel arrangement amounting to \$161,007 for the period 1 July 2020 to 30 June 2021 during which time Sue Bussell was a board member of Airservices Australia and held a contract with KPMG to undertake work on an ad hoc basis through her own business, DAIS.
- Airservices provided rent payments to Sydney Water Corporation amounting to \$22,032 for the period 1 July 2020 to 30 June 2021, during which time Dr Marlene Kanga was both a Board member of Airservices Australia and a Board member of the Sydney Water Corporation.
- Airservices provided rent payments to Queensland Rail Limited amounting to \$144,476 for the period 1 July 2020 to 30 June 2021 during which time David Marchant was both a Board member of Airservices Australia and Chair of Queensland Rail Limited.
- Airservices provided rent and electricity payments to Port Authority of New South Wales amounting to \$15,114 for the period 1 July 2020 to 30 June 2021 during which time David Marchant was both a Board member of Airservices Australia and Non-Executive Director of Port Authority of New South Wales.

2020

- Airservices received professional services from KPMG under a standing panel arrangement amounting to \$304,544 for the period 1 July 2019 to 30 June 2020, during which time Sue Bussell was a board member of Airservices Australia and held a contract with KPMG to undertake work on an ad hoc basis through her own business, DAIS.
- Airservices provided rent payments to Sydney Water Corporation amounting to \$21,167 for the period 1 July 2019 to 30 June 2020, during which time Dr Marlene Kanga was both a Board member of Airservices Australia and a Board member of the Sydney Water Corporation.
- Airservices provided rent payments to Queensland Rail Limited amounting to \$70,476 for the period 1 July 2019 to 30 June 2020, during which time David Marchant was both a Board member of Airservices Australia and a Chair of the Queensland Rail Limited.
- Airservices provided air navigation services to BAE Systems Flight Training amounting to \$48,404 for the period 1 July 2019 to 30 June 2020, during which time Mark Binskin was both Deputy Chair of the Airservices Board and Non-Executive Director of BAE Systems Australia.
- Airservices entered into a contract with PrimeNext Consulting to receive IT consulting services from Chris Seller, which amounted to \$27,720 for 2019-20. Chris Seller was Chief Information Officer of Airservices until his resignation on 24 April 2020. The contract with PrimeNext Consulting was executed on 15 April 2020.

To the extent permitted by law, Airservices provides indemnities to its Board members and officers, which complements insurance arrangements that it has in place.

The Board adheres to a strict Conflict of Interest Protocol which includes a review of Board members' personal interests at each Board meeting. The management of any conflict is dependent on its nature and severity, and may include the exclusion of Board members from receiving related material or withdrawal from discussion or decision making.