

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

	2022 \$'000	2021 \$'000
Current employee provisions		
Employee benefits		
Recreation leave	50,572	46,475
Long service leave	119,967	150,141
Separations and redundancies	1,383	6,396
Pre-Comcare Workers compensation	195	259
Total current employee provisions	172,117	203,271
Non-current employee provisions		
Employee benefits		
Long service leave	26,403	31,688
Separations and redundancies	4,212	4,664
Pre-Comcare Workers compensation	1,576	2,073
Total non-current employee provisions	32,191	38,425

Description of provisions

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 \$5.2m (2021: \$5.8m) in early retirement benefits, which have been elected to be taken by employees as a lump sum on retirement, and \$0.4m (2021: \$3.6m) for redundancy provisions.

The provision for early retirement benefits includes \$4.9m (2021: \$5.5m) 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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4.1 Employee provisions (continued)

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.

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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 members since 2002. The valuation is based on estimated member data at 30 April 2022 using member data as at 30 June 2021 with exits removed and salaries increased at the salary increase rate. The Plan's liabilities and assets have been rolled up to 30 June 2022. Allowance is made for outstanding contributions and tax reserves when estimating the asset value.

	2022 \$'000	2021 \$'000
Benefit asset		
The amounts recognised in the statement of financial position are determined as follows:		
Present value of the defined benefit obligation	(462,122)	(679,738)
Fair value of defined benefit plan assets	725,015	865,338
Net benefit asset - non-current	262,893	185,600
Categories of plan assets		
The major categories of plan assets are as follows:		
Cash	29,802	134,478
Equity instruments	444,422	407,772
Debt instruments	101,981	110,964
Other assets	148,810	212,124
	725,015	865,338
Reconciliations		
<i>Reconciliation of the present value of defined benefit obligation:</i>		
Balance at the beginning of the year	679,738	698,840
Current service cost	23,641	23,804
Contribution by members	6,258	8,790
Interest cost	19,005	18,180
Remeasurements		
Effect of changes in financial assumptions	(96,371)	33,065
Effect of experience adjustments	(25,031)	(25,829)
Benefits paid	(145,118)	(77,112)
Balance at the end of the year	462,122	679,738
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	865,338	842,378
Interest Income	24,509	22,181
Remeasurements		
Return on plan assets (excluding interest income)	(26,079)	68,846
Contribution by Airservices	107	256
Contribution by members	6,258	8,790
Benefits paid	(145,118)	(77,113)
Balance at the end of the year	725,015	865,338

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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:

	2022 \$'000	2021 \$'000
i. Defined benefit cost recognised in profit or loss		
Current service cost	23,641	23,804
Interest on the net defined benefit asset	(5,504)	(4,001)
Total included in employee benefits expense	18,137	19,803
ii. Remeasurements (recognised in Other Comprehensive Income)		
Effect of changes in financial assumptions	(96,372)	33,065
Effect of experience adjustments	(25,031)	(25,829)
Return on plan assets (excluding interest income)	26,080	(68,846)
Total remeasurements included in Other Comprehensive Income - (gain)/ loss	(95,323)	(61,610)
iii. Total defined benefit (gain)/ loss recognised in the Statement of Comprehensive Income	(77,186)	(41,807)
Actual return on plan assets	(3,394)	100,956

Principal actuarial assumptions

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

	2022 \$'000	2021 \$'000
Discount rate	5.30%	2.90%
Future salary increases – short term	4.00%	2.90%
Future salary increases – long term	4.90%	3.90%

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

- a discount rate of 5.30% 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 4.80% 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.

2022	2022 \$'000	2021 \$'000
Discount rate (0.5% movement)	23,351	(27,919)
Future salary increases (0.5% movement)	(25,874)	21,676
	Increase 2022 \$'000	Decrease 2021 \$'000
2021		
Discount rate (0.5% movement)	37,812	(36,928)
Future salary increases (0.5% movement)	(33,769)	35,836

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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.

2022	2022 \$'000	2021 \$'000
Undiscounted Benefit Payments		
1 year or less	34,237	45,214
2 to 5 years	168,873	215,427
5 to 10 years	224,840	242,846
Greater than 10 years	770,564	762,597
Total expected payments	1,198,514	1,266,084

The average duration of the defined benefit plan obligation at the end of the reporting period is nine years (2021: 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 2021. This disclosed a surplus of \$245.4m. An actuarial investigation meeting requirements of the *Superannuation Industry (Supervision) Act 1993* is undertaken every three years.

For the year ended 30 June 2022 the employer contribution rate was:

- 3% of gross salary for those employees who remain members of the Commonwealth Superannuation Scheme (CSS category) (2020-21: 3%);
- 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 an agreement regarding 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 \$0.1m due to the contribution holiday for FULL members, not including any additional contributions required.

Net Financial position of the plan

In accordance with AASB 1056 Superannuation Entities, the Plan's net financial position is determined as the difference between the present value of the accrued benefits and the fair value of Plan assets. This was determined as at the date of the most recent financial report of AvSuper (2021), when a surplus of \$245.4m was reported. Last year in these financial statements, Airservices recognised a defined benefit asset of \$185.6m at 30 June 2021. 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 AASB 1056.

As at 30 June 2022 these financial statements disclose a defined benefit asset of \$262.9m (2021: \$185.6m). AvSuper's net financial position for the Plan under AASB 1056 will not be available until after these financial statements have been signed.

Notes to and Forming Part of the Financial Statements

4.2 Defined benefit fund asset (continued)

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, in line with 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 2022 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 2022 are based on enterprise agreements that were applicable during the financial year. These include a 4.0% annual salary increase for the first four years and 4.9% p.a. thereafter, staff turnover rates ranging from 7% to 19% (depending on period of service), and average long service leave taken of 45 days 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 that reflect the estimated mean term of the liabilities, 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 cash flows of AvSuper and equating this to a single rate	5.3% p.a.
Long Service Leave	6.5 years	7 year and 8 year	5.1% p.a.
Early Retirement Benefit	3.6 years	3 year and 4 year	4.6% p.a.
Recreation leave	0.8 years	Discount rate derived by applying Milliman's short term yield curve (1 year and 2 year)	4.0% 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:

	2022 \$'000	2021 \$'000
Key executive remuneration expense for the reporting period		
Board		
Short-term employee benefits:		
Salary	777	723
Allowances and other benefits	19	17
Total short-term employee benefits	796	740
Post-employment benefits:		
Superannuation (post-employment benefits)	79	70
Total post-employment benefits	79	70
Total Board remuneration	875	810

The information about non-executive Board member included in the table above relates to 9 individuals (2021: 10 individuals)

	2022 \$'000	2021 \$'000
Key Executive Management		
Short-term employee benefits:		
Salary ¹	3,823	3,387
Allowances and other benefits	39	174
Total short-term employee benefits	3,862	3,561
Post-employment benefits:		
Superannuation (post-employment benefits)	272	310
Total post-employment benefits	272	310
Other long-term benefits:		
Long service leave	90	79
Total other long-term benefits	90	79
Total Key Executive Management remuneration	4,224	3,950
Total Key Management Personnel remuneration²	5,099	4,760

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 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.

Airservices has determined the key management personnel to be the Board members, Chief Executive Officer and eight Executive General Managers. The information about executives in the table above relates to 8.05 Full Time Equivalents (FTEs) (2021: 7.30 FTEs).

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
Greg Hood	On-going	8 September 2021	Current
Board members			
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
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:

Executives	Title	Commenced	Finished
Peter Curran	Chief Customer Experience and 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 and 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 and Risk Officer	3 November 2018	5 July 2022
Christian Patten	Chief Strategy Execution Officer	13 June 2022	Current

Notes to and Forming Part of the Financial Statements

4.4 Related party transactions (continued)

(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 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:

2022

- Airservices provided payments to Dimeo Cleaning Services amounting to \$617.61 for the period 1 July 2021 to 30 June 2022 during which time John Weber was Chairman of the Airservices Board and was a Director at Dimeo Group.
- Airservices provided payments to Recreational Aviation Australia amounting to \$27,500 for the period 1 July 2021 to 31 December 2021. Mark Binskin was both Deputy Chair of the Airservices Board and a member of Recreational Aviation Australia for the period 1 July 2021 to 31 August 2021.
- Airservices provided payments to the Civil Aviation and Safety Authority amounting to \$42,880 for the period 1 July 2021 to 31 December 2021. Mark Binskin was both Deputy Chair of the Airservices Board and Chair-designate of the Civil Aviation and Safety Authority for the period 19 August 2021 to 31 August 2021.
- Airservices provided payments to the Civil Aviation and Safety Authority amounting to \$86,860 for the period 1 September 2021 to 30 June 2022 during which time Greg Hood was Deputy Chair of the Airservices Board and their domestic partner was an employee of the Civil Aviation and Safety Authority.
- Airservices received payments from the Temora Aviation Museum amounting to \$22.78 for the period 1 July 2021 to 31 December 2021. Mark Binskin was both Deputy Chair of the Airservices Board and a governing committee member of the Temora Aviation Museum for the period 1 July 2021 to 31 August 2021.
- Airservices provided payments to Harris Communications Australia amounting to \$18,007,349.25 for the period 1 September 2021 to 30 June 2022 during which time Greg Hood was Deputy Chair of the Airservices Board and had a personal relationship with the Chief Executive Officer of Harris Communications Australia.
- Airservices provided payments to Klynveld Peat Marwick Goerdeler (KPMG) under a standing panel arrangement amounting to \$275,863.41 for the period 1 July 2021 to 30 June 2022 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 \$22,894.37 for the period 1 July 2021 to 30 June 2022 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 \$77,700.07 for the period 1 July 2021 to 30 June 2022 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 \$16,933.15 for the period 1 July 2021 to 30 June 2022 during which time David Marchant was both a Board member of Airservices Australia and Chair of Port Authority of New South Wales.
- Airservices provided payments to Santos Limited amounting to \$27,002.09 for the period 1 July 2021 to 30 June 2022 during which time Eileen Doyle was both a Board member of Airservices Australia and Non-Executive Director at Santos Limited.
- Airservices received payments from Santos Limited amounting to \$165 for the period 1 July 2021 to 30 June 2022 during which time Eileen Doyle was both a Board member of Airservices Australia and Non-Executive Director at Santos Limited.
- Airservices received payments from the Australian Warbirds Association amounting to \$404.89 for the period 1 July 2021 to 31 December 2021. Mark Binskin was both Deputy Chair of the Airservices Board and a member of the Australian Warbirds Association for the period 1 July 2021 to 31 August 2021.
- Airservices provided payments to the Starlight Foundation amounting to \$690 for the period 1 July 2021 to 30 June 2022 during which time Lucinda Gemmell was both Chief People and Culture Officer of Airservices Australia and Non-Executive Director at the Starlight Foundation.
- Airservices provided payments to CDRU NSW Pty Ltd, a subsidiary of Digital Lifecycle Group, amounting to \$136,400 for the period 1 July 2021 to 30 June 2022 during which time Lawrence Turner was both a Board member of Airservices Australia and a Director of Digital Lifecycle Group.

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4.4 Related party transactions (continued)

2021

- Airservices provided payments to the 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 the 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 the 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 the 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 the Port Authority of New South Wales.

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

The Board adheres to a strict Conflict of Interest Protocol that 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.