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

	2019 $'000	2018 $'000
Current employee provisions		
Employee benefits		
Recreation leave	**62,212**	60,808
Long service leave	**137,639**	128,146
Separations and redundancies	**9,023**	16,011
On-costs associated with employee benefits	**12,124**	11,024
Workers compensation	**313**	333
Total current employee provisions	**221,311**	216,322
Non-current employee provisions		
Employee benefits		
Long service leave	**36,000**	34,911
Separations and redundancies	**2,273**	2,116
On-costs associated with employee benefits	**2,257**	2,074
Workers compensation	**2,087**	2,019
Total non-current employee provisions	**42,617**	41,120

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 $7.7m (30 June 2018: $7.6m) in early retirement benefits which have been elected to be taken by employees as a lump sum on retirement, and $3.6m (30 June 2018: $10.3m) for redundancy provisions.

The provision for early retirement benefits includes $7.2m (30 June 2018: $7.0m) for ATC employees who were employed by Airservices on 1 July 1998 and continue to meet the eligibility requirements under the relevant enterprise agreement.

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 Group Collective 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.

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 Australia's 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.

	2019 $'000	2018 $'000
Benefit asset		
The amounts recognised in the statement of financial position are determined as follows:		
Present value of the defined benefit obligation	**(710,657)**	(659,384)
Fair value of defined benefit plan assets	**921,059**	922,223
Net benefit asset – non-current	**210,402**	262,839
Categories of plan assets		
The major categories of plan assets are as follows:		
Cash	**173,896**	209,531
Equity instruments	**381,595**	384,510
Debt instruments	**148,935**	166,493
Other assets	**216,633**	161,689
	921,059	922,223
Reconciliations		
Reconciliation of the present value of defined benefit obligation:		
Balance at the beginning of the year	**659,384**	652,962
Current service cost	**24,681**	25,154
Contribution by members	**9,372**	9,746
Interest cost	**26,098**	26,913
Remeasurements		
Effect of changes in financial assumptions	**56,694**	15,198
Effect of experience adjustments	**(9,306)**	(16,480)
Benefits paid	**(56,266)**	(54,109)
Balance at the end of the year	**710,657**	659,384
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**922,223**	884,333
Interest Income	**37,088**	37,604
Remeasurements		
Return on plan assets (excluding interest income)	**8,298**	21,829
Contribution by Airservices	**344**	22,820
Contribution by members	**9,372**	9,746
Benefits paid	**(56,266)**	(54,109)
Balance at the end of the year	**921,059**	922,223

	2019 $'000	2018 $'000
Net amount recognised in the Statement of Comprehensive Income		
The amounts recognised in the Statement of Comprehensive Income are as follows:		
i. Defined benefit cost recognised in profit or loss		
Current service cost	**24,681**	25,154
Interest on the net defined benefit asset	**(10,990)**	(10,691)
Total included in employee benefits expense	**13,691**	14,463
ii. Remeasurements (recognised in Other Comprehensive Income)		
Effect of changes in financial assumptions	**56,694**	15,198
Effect of experience adjustments	**(9,306)**	(16,480)
Return on plan assets (excluding interest income)	**(8,298)**	(21,829)
Total remeasurements included in Other Comprehensive Income	**39,090**	(23,111)
iii. Total defined benefit income recognised in the Statement of Comprehensive Income	**52,781**	(8,648)
Actual return on plan assets	**47,954**	56,002

Principal actuarial assumptions

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

	2019	**2018**
Discount rate	**2.90%**	4.10%
Future salary increases	**3.50%**	4.00%

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

- a discount rate of 2.90% p.a. derived by interpolation between the yield on 13 year and 14 year bonds at 30 June 2019 where the interpolation is based on the estimated mean term of each bond.
- the salary increase rate is the long-term expected rate including a full allowance for promotional increases.

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.

2019	**Increase $'000**	**Decrease $'000**
Discount rate (0.5% movement)	**43,818**	**(38,217)**
Future salary increases (0.5% movement)	**(35,627)**	**41,832**

2018	Increase $'000	Decrease $'000
Discount rate (0.5% movement)	38,442	(38,604)
Future salary increases (0.5% movement)	(36,462)	36,828

Maturity profile

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

	2019 $'000	2018 $'000
Undiscounted Benefit Payments		
1 year or less	**42,538**	41,496
2 to 5 years	**214,034**	207,133
5 to 10 years	**255,328**	267,615
Greater than 10 years	**883,377**	1,038,137
Total expected payments	**1,395,277**	1,554,381

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (2018: 10 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 2018. This disclosed a surplus of $260m.

For the year ended 30 June 2019 the employer contribution rate was:

- 3% of gross salary for those employees who remain members of the Commonwealth Superannuation Scheme (CSS category) (2017–18: 3%);
- From 1 July 2018 contributions ceased for other Airservices employees (FULL category) (2017–18: 16.5%) under a contribution holiday.

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 2020 are $0.3m 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 (30 June 2018), when a surplus of $260.1m was reported. Last year in these financial statements Airservices recognised a defined benefit asset of $229.6m at 30 June 2017. 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.

At 30 June 2019 these financial statements disclose a defined benefit asset of $210.6m (30 June 2018: $262.8m). AvSuper's net financial position for the Plan under AAS 25 will not be available until after these financial statements have been signed.

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 Collective 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 2019 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 assumptions relied on for the period to 30 June 2019 are based on collective agreements that were applicable during the year. These include a 3.5% annual salary increase, staff turnover rates ranging from 7% to 19% (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	10.0 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	2.3% p.a.
Early Retirement Benefit	4.4 years	4 year and 5 year	1.9% p.a.

4.3 Key management personnel remuneration

	2019 $'000	2018 $'000
Key executive remuneration expense for the reporting period		
Board of Directors		
Short-term employee benefits:		
Salary	**542**	537
Allowances and other benefits	**92**	77
Total short-term employee benefits	**634**	614
Post-employment benefits:		
Superannuation (post-employment benefits)	**59**	56
Total post-employment benefits	**59**	56
Total Board of Directors remuneration	**693**	670

The information about non-executive directors included in the table above relates to 8 individuals (2017: 8 individuals)

	2019 $'000	2018 $'000
Key Executive Management		
Short-term employee benefits:		
Salary	**2,975**	2,562
Allowances and other benefits	**58**	99
At risk component[1]	**242**	182
Total short-term employee benefits	**3,275**	2,843
Post-employment benefits:		
Superannuation (post-employment benefits)	**293**	315
Total post-employment benefits	**293**	315
Other long-term benefits:		
Recreation leave accrued	**81**	220
Long service leave	**69**	70
Total other long-term benefits	**150**	290
Termination benefits	**-**	-
Total Key Executive Management remuneration	**3,718**	**3,448**
Total key management personnel remuneration[2]	**4,411**	**4,118**

The information about executives included in the above table relates to 7.3 Full Time Equivalents (FTEs) (2018: 8.0 FTEs).

1 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.

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.

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	3 June 2018	Current
Deputy Chairman			
Mark Binskin	On-going	13 September 2018	Current
Board members			
Fiona Balfour	On-going	3 June 2013	Current
Samantha Betzien	On-going	4 June 2012	3 September 2019
Marlene Kanga	On-going	4 September 2017	Current
David Marchant	On-going	21 July 2014	Current
John McGee	On-going	4 September 2015	Current
Tim Rothwell	On-going	21 July 2014	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
Stephen Angus	Executive GM Air Navigation Services	20 June 2016	15 February 2019
Craig Charker	A/g Executive GM Air Navigation Services	16 February 2019	5 May 2019
Peter Curran	Executive GM Air Navigation Services	6 May 2019	Current
Michelle Bennetts	Executive GM Customer Service Enhancement	16 April 2018	Current
Paul Logan	Chief Financial Officer	2 July 2015	Current
Christopher Seller	Chief Information Officer	1 July 2016	Current
Robert Weaver	Executive GM Safety & Assurance	25 January 2013	2 November 2018
Claire Marrison	Executive GM Safety & Assurance	3 November 2018	Current
Robert Porter	Executive GM Aviation Rescue Fire Fighting Services	7 January 2019	Current
Craig Oakley	A/g Executive GM Aviation Rescue Fire Fighting Services	16 April 2018	6 January 2019

(c) Transactions with related parties

Certain director-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 director-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:

2019

- Airservices received legal services from Minter Ellison under a standing panel arrangement amounting to $334,461 for the period 1 July 2018 to 30 June 2019 during which time Samantha Betzien was both a Board member of Airservices Australia and a partner with Minter Ellison.
- Airservices received professional services from PriceWaterhouseCoopers under a standing panel arrangement amounting to $3,840,601 for the period 1 July 2018 to 30 June 2019 during which time John Weber was Chairman of the Airservices Board and Advisor for PriceWaterhouseCoopers. John Weber was acting as an Advisor for PriceWaterhouseCoopers up until 30 September 2018.
- Airservices provided rent payments to Sydney Water Corporation amounting to $20,353 for the period 1 July 2018 to 30 June 2019 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 $67,120 for the period 1 July 2018 to 30 June 2019 during which time David Marchant was both a Board member of Airservices Australia and a Chair of the Queensland Rail Limited.
- Airservices provided annual fire alarm monitoring services to BAE Systems Australia amounting to $1,039 and provided air navigation services to BAE Systems Flight Training amounting to $95,440 for the period 1 July 2018 to 30 June 2019 during which time Mark Binskin was both Deputy Chair of the Airservices Board and Non-Executive Director of BAE Systems Australia. During this period, in relation to the services provided to BAE Systems Flight Training, $89 of charges were written off to bad debts.

2018

- Airservices received legal services from Minter Ellison under a standing panel arrangement amounting to $380,591 for the period 1 July 2017 to 30 June 2018. During this time Samantha Betzien was both a Board member of Airservices and a partner with Minter Ellison.
- Airservices received professional services from Ernst & Young under a standing panel arrangement amounting to $527,412 for the period 1 July 2017 to 30 June 2018 during which time Sir Angus Houston was both Chair of the Airservices Board and Senior Advisor, Global Government and Public Sector Practice for Ernst & Young.
- Airservices received professional services from PricewaterhouseCoopers under a standing panel arrangement amounting to $2,243,793 for the period 1 July 2017 to 30 June 2018, during which time John Weber was both Deputy Chair of the Airservices Board (1 July 2018 – 3 June 2018) and subsequently Chair of the Airservices Board (3 June 2018 – current) and Advisor for PricewaterhouseCoopers.
- Airservices provided rent payments to Sydney Water Corporation amounting to $19,570 for the period 1 July 2017 to 30 June 2018. During this time Dr Marlene Kanga was both a Board member of Airservices Australia and a Board member of the Sydney Water Corporation.

To the extent permitted by law, Airservices provides indemnities to its Board members and officers to complement the 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.