



Important Notice to Members – Intention to pay surplus to the Principal Employer

This notice provides important information about a surplus in the Fund and what we intend to do with some of the surplus.

The Fund's Trust Deed and superannuation legislation allows surplus monies to be returned to an employer if certain conditions are met. These conditions include obtaining actuarial input and advising members of any proposed payment.

THE FOLLOWING INFORMATION DOES NOT AFFECT YOUR SUPERANNUATION ENTITLEMENTS

Defined Benefit (DB) Surplus

There is currently a surplus of funds in the DB division of AvSuper, in that there are more assets than there are estimated liabilities (the 'liabilities' being the value of projected member benefits). Members in the DB division are eligible for superannuation benefits based on their salary and service (**Defined benefits**) rather than investment returns. Any investment risk in relation to the Defined Benefit is borne by their employer.

Each year the Fund Actuary assesses the DB funding position and recommends a contribution rate to the Fund's participating employers (Airservices Australia and CASA). The employer-sponsors then contribute based on the agreed contribution rate.

As at 30 June 2022, assets of the DB division of AvSuper represented approximately 140% of the value of projected DB member benefits. This surplus has resulted from a combination of factors:

- AvSuper delivered better investment performance than forecast,
- the employers' contributions to the DB division proved to be higher than needed,
- long term wage growth was lower than expected,
- the rate of members leaving the DB division before their interests vested fully was higher-than-expected.

In accordance with the provisions of the Fund's Trust Deed, the Principal Employer (Airservices Australia) recently requested the Trustee pay the Principal Employer any excess surplus above a level of 120% of defined benefit liabilities. As required by the Trust Deed and superannuation legislation, the Trustee (with the Principal Employer's agreement) commissioned an actuarial review of the Fund and received an actuarial certificate from the Fund Actuary. This certificate confirms the Fund will remain in a satisfactory financial position if a portion of the surplus (referred to as 'Surplus Assets' in the actuarial certification, and as the 'excess surplus amount' in this notice) is paid to the Principal Employer.

The Actuary identified that the excess surplus amount in the DB division of AvSuper as at 30 June 2022 (based on calculations required by the trust deed) is \$111,090,345.

We note that as at June 2022 the surplus in the financial statements for the DB division was estimated to be approximately \$214 million (based on the calculation of DB surplus required for the preparation of the Fund's financial statements).



✉ avsinfo@avsuper.com.au

☎ 1300 128 751 or 02 6109 6888

🏠 AvSuper Trustee - GPO Box 634, Canberra ACT 2601

www.avsuper.com.au

For further information about the calculation of the excess surplus amount, and the relevant provisions in the Fund's Trust Deed and superannuation legislation, see the actuarial certificate available at avsuper.com.au/actuarial-certificate-3062022.

Trustee's Decision

Following the actuarial review and the consideration of the interests of members and relevant employers, the Trustee has resolved that it intends to pay no more than \$111,090,345 from the Fund to the Principal Employer, at least three months after this notice is delivered.

It is anticipated that the payment to the Principal Employer will occur on or around 12 March 2023, and before any Successor Fund Transfer related to the proposed merger, subject to a second actuarial investigation (see Next Steps below).

This payment back to the Principal Employer does not put your super at risk. The Trustee is satisfied there will be no significant adverse effect on your benefit entitlements or the financial position of the DB division or the Fund. Under the Trust Deed, the excess surplus can only be paid to the Principal Employer (and must be paid to the Principal Employer if certain conditions are met).

Next steps

Immediately prior to the date of payment, a second actuarial review will be undertaken to confirm that the value of the excess surplus has not materially changed over the three-month period. The amount of the payment to the Principal Employer may be adjusted if there are any material changes to the Fund's financial position. For example, the financial position may change due to market movements.

There is no change to the ongoing activities of the Fund, or the obligation of Airservices Australia and CASA to make contributions to the Fund in accordance with the advice of the Fund's Actuary.

Contacting us

We will continue to keep you informed of any material developments as we work through this process, which is designed to ensure that members' best financial interests continue to be maintained. If you have any concerns about this information, please contact us by email or phone us on **1300 128 751** (local call).

Kind regards,

Ben Firkins
Chair, AvSuper



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Q & A

How does this affect me?

This payment does not put your super at risk. The Trustee is satisfied there will be no significant adverse effect on the financial position of the Fund, including the Defined Benefit (DB) division of AvSuper.

How long has the Defined Benefit division been in surplus?

The DB division has been in surplus since the 2016/17 financial year, and employer sponsors have not been required to make employer contributions (i.e. they have taken a contribution holiday) since 2018.

How much is the Defined Benefit division surplus?

The surplus in the DB division at 30 June 2022 was approximately \$214m. Fund assets relating to the DB division represented approximately 140% of the value of DB members' benefits. The DB division's surplus at 30 June is disclosed annually in the Fund's financial statements, and the most recent statements can be found on the website at avsuper.com.au/financials-3062022. The calculation of the DB division surplus for the Fund's financial statements at 30 June 2022, is different to the calculation of surplus required for the purpose of determining the amount of Fund surplus payable to the Principal Employer.

How much will be paid to the Principal Employer?

Up to \$111,090,345 will be returned to the Principal Employer (Airservices) at least three months after this notice is delivered, subject to a second actuarial investigation. The Principal Employer may pay some of the surplus it receives to CASA.

When will the payment be made?

The payment will be made some time after 12 March 2023

What if investment markets change between now and the payment date?

A second actuarial review will be undertaken to confirm the amount before payment to Airservices Australia. The second actuarial review will occur whether or not investment markets change.

Do employer sponsors make contributions at present?

Airservices Australia and CASA are on a contribution holiday due to the surplus covering the recommended contribution rate. Airservices Australia did not make employer contributions to the DB division in the 2021/22 financial year, and we do not anticipate contributions will be made for the remainder of the current financial year.

What if contributions from the employer sponsors are required in future?

Airservices Australia and CASA are obliged to make contributions at any future agreed contribution rate, based on the advice of the Fund's Actuary, and have indicated that they will continue to support the Fund as required.