

2015-16 **Annual Report**

South Australia's new work injury insurance scheme.





About this report

We are pleased to present the Annual Report for 2015-16.

In this report, references to ReturnToWorkSA refer to activities undertaken by the Return to Work Corporation of South Australia in managing the Return to Work scheme which became fully operable on 1 July 2015, replacing the old Workers Rehabilitation and Compensation Scheme.

The report meets our obligations under the *DPC Circular PC 013 – Annual Reporting Requirements* and the financial reporting requirements of the *Public Finance and Audit Act 1987*.

Where can I find out more?

You can learn about ReturnToWorkSA and the Return to Work scheme online, where this report and previous annual reports are available to download from **www.rtwsa.com**.

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Performance highlights



A new strategic plan

New legislation with a clear focus on supporting people to remain at and/or return to work following injury led to the ReturnToWorkSA Board creating a new clear and simple strategic plan for 2015-2018. Our mission is to provide a **desirable, affordable and durable** recovery and return to work scheme for South Australia.

The key strategic objectives to guide our mission are:



Realising the health benefits of work.



Ensuring the effective and economic operation of the Return to Work scheme.

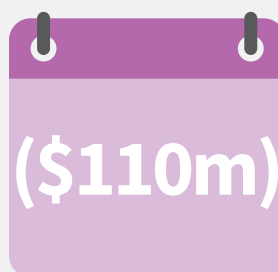


Effective economic operation of the Return to Work scheme

This year was the first full year of the new Return to Work scheme.



in **premium revenue** was collected from registered businesses to fund the work injury insurance scheme.

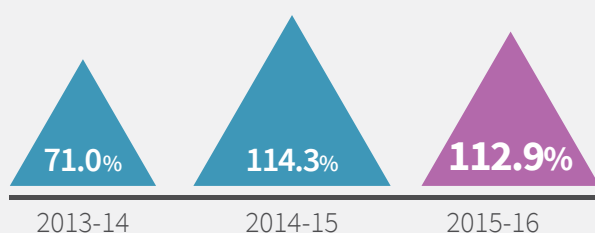


While there have been some planned transitional expenses, the financial impact from the significant reduction in the 'risk free' rate resulted in an **underwriting loss** this financial year.

Financial

Scheme funding ratio

The scheme funding ratio is the ratio of our assets to liabilities.



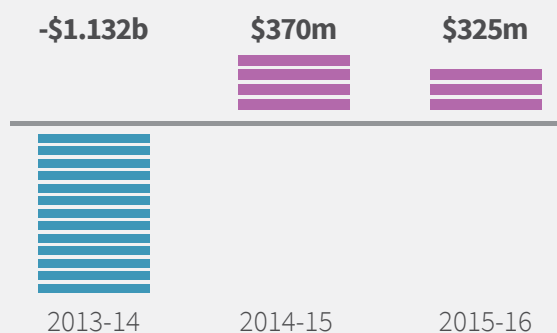
▼ decreased by **1.4%**

For the first time in the Scheme's history, the Scheme has been valued as fully funded for four consecutive half-yearly valuations.

Our scheme funding ratio remains positive and within our target range in times of volatile investment markets, record low yields for long term investments and the transition to a new work injury insurance scheme.

Net assets

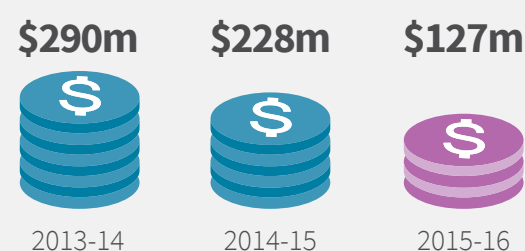
The Scheme's net assets are the amount by which the Scheme assets exceed the liabilities.



In previous years the Scheme's liabilities have exceeded the Scheme assets.

Investment return

Our investment strategy is a fundamental component of ensuring the long-term viability of the Scheme.



▲ return on investment of **4.6%**

We are pleased with our result in a challenging environment impacted by international and local investment volatility.

Performance highlights

Realising the health benefits of work



67.7%

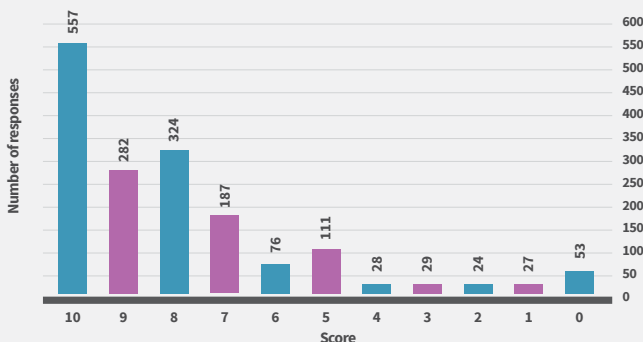
of claims made were reported by phone in June 2016

Phone reporting

Phone reporting was introduced in January 2016 to allow our claims agents to quickly identify which workers and employers are in need of help with recovery and return to work.

Personalised claims service

Our claims agents and ReturnToWorkSA have 107 mobile staff providing a personalised, face-to-face service for employers and injured workers. Our regular Net Promoter Score surveys of these customers show the value of the new service.

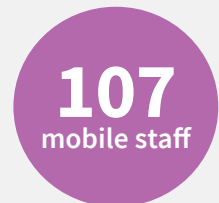


80% rate service more than 7 with 50% giving 9 or 10 out of 10



16,698

face-to-face visits
on 6,224 claims



trained, 89 active
on a given day



active caseload on
a given day

Caseload average is



Remain at or returning to work – the first year

The insurance scheme provides financial support to assist an injured person to be supported to recover, remain at or return to work. The table shows how our first full year of the service model and new legislation has performed in supporting people to have remained at work or returned to work:

Injured workers **at work** at key intervals after injury

	4 weeks	13 weeks	26 weeks	52 weeks
This year	75.2%	*83.2%	**86.6%	n/a
2014-15	76.2%	81.0%	86.4%	88.2%
2013-14	73.5%	81.7%	86.0%	88.2%
2012-13	72.2%	83.3%	84.5%	87.2%

*9 months to March 2016. **6 months to December 2015.

A more collaborative scheme

Improving the claims process and supporting participants has been a key focus for our claims agents. By providing better service, the levels of complaints and disputes from participants is reducing.

Complaints
in 2015-16
reduced
by



New disputes
about
premiums
reduced by

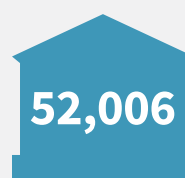


New disputes
lodged
about claims
reduced by

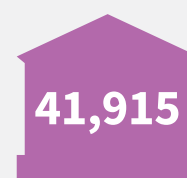


Employers registered for premium

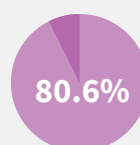
During 2015-16, there were 52,006 registered businesses.



paying
employers



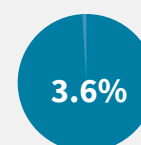
received up
front discount



retained full
discount



retained partial
discount



lost discount and
paid a penalty

Chairman and CEO messages





“I am very proud of our achievements this year in moving our culture from administering a medical-legal scheme to delivering a new Scheme that embraces the health benefits of work with a strong service ethic.”

Message from Jane Yuile, Chairman

2015-16 marked a new era for work injury insurance in South Australia with the commencement of the Government's new Return to Work scheme. With it came great challenges, as well as tremendous change and achievement.

Our key challenge was to smoothly implement the new Scheme for new claimants whilst also managing the transition of the much larger group of claimants from the old Scheme. For ReturnToWorkSA and our claims agents the activity has been intense with new laws to learn, the introduction of a comprehensive new service model focussed on face-to-face support for employers and workers, implementation of new software and computer systems to support the new Scheme, and very importantly, assisting claimants from the old Scheme adjust to the changed benefits of the new Scheme.

I am very proud of our achievements this year in moving our culture from administering a medical-legal scheme to delivering a new Scheme that embraces the health benefits of work with a strong service ethic.

What is particularly pleasing is that both employers and employees are appreciative of this new service model. So that we could learn and improve, this year we surveyed new claimants and employers and 80% of respondents rated the service 7 or higher on the 0-10 point Net Promoter Score. These survey results are reinforced by significant reductions in complaints and disputes lodged by new claimants.

This year we also introduced a new simpler premium scheme for employers which rewards those companies with no employees off work with injury, or where swift return-to-work opportunities are provided to injured employees. This was also the first year of the reduced average premium rate of 1.95% which saved

businesses an overall \$180 million to spend and invest in South Australia.

2015-16 marked an exciting beginning of a new era for work injury insurance in South Australia. But the work has just begun. Our Board recognises that a durable injury insurance scheme has to be both desirable to workers and affordable for South Australian employers. Our strategic approach for the next three years will see us continue to introduce key initiatives that focus on realising the health benefits of work as well as ensuring the effective and economic operation of the Scheme.

I want to personally thank all of the people who contributed to the success of this year: our CEO, Greg McCarthy, his executive team and all of the staff at ReturnToWorkSA as well as our claims agents and legal service providers. Your contribution, commitment and service have been invaluable.

Finally, Greg McCarthy is retiring in early December and I would like to place on record my sincere appreciation of his strong leadership and deep knowledge of the industry which has enabled the organisation to make unprecedented financial and cultural improvement during his tenure. Greg leaves a great legacy and one that I am confident his successor will maintain when they take over the helm as CEO on Greg's departure.

JANE YUILE

Chairman
ReturnToWorkSA Board



“No one wants to get injured on the job, and most people don’t really like taking time off unless they have to. This is why our focus has been firmly on supporting people to remain at work, or return to work as soon as possible following an injury.”

Message from Greg McCarthy, Chief Executive Officer

The last 12 months has been one of significant improvements for workers who are injured at work, and their employers. For workers, they’ve had better access to tailored recovery and return to work services and employers have paid less in premium for these benefits.

With the introduction of the Return to Work scheme on 1 July 2015, the insurance premium paid by employers dropped by an average of 20%, which translates to \$180 million worth of savings for employers across the State.

The average premium rate is currently 1.95%, the lowest it has ever been in South Australia. This is certainly a step in the right direction, because for South Australia to be a desirable place to do business, we need to be competitive with other states.

Importantly, the Scheme is now also fully funded, which means we have enough assets to meet the liabilities from the claims made for work related injury.

To achieve this, we’ve made big changes to the way we help people who have been injured at work, and the employers whose insurance premium funds the Scheme.

No one wants to get injured on the job, and most people don’t really like taking time off unless they have to. This is why our focus has been firmly on supporting people to remain at work, or return to work as soon as possible following an injury.

There’s plenty of research that tells us of the health benefits of work, how important it is for people to remain connected to their workplace after an injury. Not only does it speed up their recovery, it also helps with mental health and an overall sense of wellbeing.

It makes sense then that *realising the health benefits of work* is the first strategic objective that guides our organisation.

Together with my management team, we’ve set out a number of key initiatives to support and achieve this, including continued focus on active claims management, early intervention and the successful mobile claims management model.

The benefit of having a mobile case manager visit a worker and their employer in the very early days of an injury cannot be underestimated. Having someone onsite who understands the specifics of both the injury and the workplace means they can help drive a quicker medical response as well as a more focused and tailored returned to work.

Employers and workers have been forthright with their feedback about this personalised service, and the difference it has made to both the worker in terms of managing their injury and recovery, and the employer with regards to helping their worker back to work and of course the reduced cost in terms of premium.

The second and equally important strategic objective we have set is to *ensure the effective and economic operation of the Return to Work scheme*.

To achieve this, we're being really clear about what it means to be an insurance business, and our role as a regulator.

We're continually improving and looking for efficiencies in our return to work operations, especially around our systems and processes.

As part of our active management of the Scheme, we have commenced significant investigations into contractors and labour supply businesses, unearthing a range of potentially fraudulent practices.

Using our significant data analytic capabilities in addition to intelligence gathering and surveillance work we have undertaken over 90 investigations and compliance audits on more than 600 host employers.

Our inter-agency relationships with the ATO, RevenueSA, ASIC and SafeWork SA means we are able to share information and quickly identify patterns of behaviour.

We have also developed a range of tools including an employer look up to enable host employers to quickly assess whether their labour hire contractors are registered with us, and this is being frequently used.

We will continue to be vigilant in this area.

I reflect with a sense of pride on the past four years at ReturnToWorkSA. I have worked closely with the Government and my management team to turn what was a very broken medico-legal scheme in to a fully funded service that actually focuses on recovery and positive outcomes for both workers and their employers.

As I retire at the end of 2016, I would like to take this opportunity to thank all the ReturnToWorkSA staff and the executive team for their dedication and willingness to work hard with me to turn things around. We are now definitely heading in the right direction.

GREG MCCARTHY

Chief Executive Officer

About us



ReturnToWorkSA is responsible for providing work injury insurance and regulating the South Australian Return to Work scheme (formerly the South Australian WorkCover scheme) under the *Return to Work Act 2014*.

The objective of the Scheme is to provide financial support to workers who suffer injuries at work and provide early intervention in respect of work injury claims to ensure action is taken to support workers to:

- realise the health benefits of work
- recover from injury
- remain at, or return to work following injury (including after retraining, if required)
- live independently and be restored to the community when return to work is not possible.

In delivering this objective we seek to reduce disputation and adversarial contests wherever possible whilst balancing the interests of workers and employers to ensure that employers' costs are contained within reasonable limits.

We're passionate about delivering a work injury insurance scheme that provides the right services at the right time. We work with people with work injuries and their employers in a financially sustainable way, to ensure the best possible chance of recovery and remaining at work or returning to work.

Our insurance role

We provide work injury insurance that protects more than 50,000 South Australian businesses and nearly 500,000 employees in the event of a work injury. As an insurer we are funded by the premiums we charge businesses and any investment returns we can achieve on invested funds.

ReturnToWorkSA directly provides all insurance underwriting functions including premium price setting, the design of the premium system, premium risk management and premium collection.

ReturnToWorkSA does not directly manage all claims. We have appointed two claims agents, Employers Mutual SA Pty Ltd and Gallagher Bassett Services Pty Ltd, who are contracted to deliver claims management services under the *Return to Work Act 2014* and in accordance with the ReturnToWorkSA business model. We provide our agents with an integrated claims data and electronic records management system. South Australian businesses and workers can expect to receive consistent service irrespective of which claims agent is contracted by us to manage our claims.

ReturnToWorkSA retains direct management of claims from injured workers who have suffered a traumatic catastrophic injury. In total our insured employers have approximately 8 workers per year with such significant injuries. Our EnABLE team specialises in providing a personalised and intensive support service for these workers, their families and their employers.

ReturnToWorkSA and our claims agents provide essential services to people injured at work which include:

- effective claims management services to workers and employers to achieve the best possible recovery and return to work outcome, including face-to-face support where appropriate
- income support to cover lost wages
- meeting the cost of reasonable medical expenses
- financial support in the form of lump sums
- financial support for access to a range of return to work services where required.

Our regulatory role

Through effective regulation we protect the interest of workers and employers by monitoring and enforcing compliance with the *Return to Work Act 2014* (formerly the *Workers Rehabilitation and Compensation Act 1986*). We regulate the Scheme so that workers and employers receive appropriate, timely and effective services when a person is injured at work.

Our key regulatory roles include:

- managing compliance with the employer obligations to provide suitable employment and appoint a return to work coordinator
- managing registration and compliance of self-insured employers, who manage their own claims and associated liabilities as an alternative to insuring with ReturnToWorkSA
- setting the fees and conditions for the provision of medical, allied health services, return to work, job placement, and other services funded by the insurers
- educating service providers about the Scheme and our expectations of service outcomes
- responding to enquiries and managing initial complaints about scheme participants
- investigating offences under the *Return to Work Act 2014* such as dishonesty and fraud
- ensuring permanent impairment assessments comply with the Minister's Impairment Assessment Guidelines and the *Return to Work Act 2014*.

ReturnToWorkSA enjoys a working partnership with SafeWork SA to promote work health, safety and welfare. Our partnership is supported by a Statement of Common Purpose and regular joint executive meetings to ensure employers are meeting their work health and safety and injury management obligations.

Preparing for the Return to Work scheme



The reforms to South Australia's work injury insurance scheme have required significant transformation within our business, and within our claims agents' businesses to deliver the legislative changes and new service standards.

From July 2014 when the Government first introduced the proposed legislation to Parliament, we've focused on implementing changes to our operations, technology infrastructure, culture, and service offerings to successfully deliver the Return to Work scheme. During 2015-16 we have continued to work collaboratively with our claims agents to provide training and support to staff to meet the new service standards required to be delivered by us and our agents.

Our claims agents have continued to provide service to people injured under the WorkCover scheme whilst implementing the new Scheme. We have actively managed their performance to ensure the delivery of better services focussed on return to work. Their performance was managed and monitored in a number of key areas, such as:

- claim eligibility management
- return to work strategies
- determination of correct levels of financial support
- accuracy and speed of benefit provision
- benefit cessation
- financial management
- project planning and implementation for the *Return to Work Act 2014*.

To support the new Scheme, we and our claims agents delivered information forums across metropolitan and regional areas for workers, employers, stakeholders (including employer associations and unions), legal professionals, Scheme service providers and other interested groups. These forums focused on:

- the *Return to Work Act 2014* and Scheme requirements
- how the new Scheme will deliver better health and return to work outcomes
- new face-to-face mobile case management service model being provided through our claims agents
- the financial and support benefits for workers with an injury
- the new simpler and more affordable insurance premium system
- how all Scheme participants could contribute to achieving better outcomes and scheme performance.

During 2015-16 we provided a number of forums for stakeholders and service providers regarding the progress of the new Scheme. In particular, we have committed to continuing a regular six monthly scheme update forum for employer associations and unions.

Since January 2015 we have also been regularly providing information to individuals with insurance claims who are directly impacted by the changes to financial benefits under the new Return to Work scheme.

Under the new Scheme, people injured at work may receive income support to cover loss of wages for up to two years, or until retirement age if they are assessed as seriously injured. People injured at work may also be entitled to financial support for medical expenses for up to 12 months after income support ceases, or for life if seriously injured. For people who were not receiving income support as part of their claim on 1 July 2015 when the Return to Work scheme commenced, the Government made a transitional provision that enabled this group of people to receive an additional 12 months of financial support for their medical expenses. This financial support ceased on 30 June 2016.

ReturnToWorkSA and its claims agents conducted a program of regular contact with affected workers and their medical and allied health providers in the months leading up to the change to ensure they were aware of the change to the financial support they would receive from their employer's insurance premium with ReturnToWorkSA. Our aim was to ensure that all impacted people and groups were aware of this change well in advance and provided with information and tools to support the transition to their health needs being supported by private health insurance, personal funds or Medicare.



Our strategic direction: Our mission is to provide a desirable, affordable and durable recovery and return to work scheme for South Australia.

New legislation with a clear focus on supporting people to remain at or return to work following injury led to the ReturnToWorkSA Board creating a new, clear and simple strategic plan for 2015-2018.

The key strategic objectives to guide our mission are:

1

Realising the health benefits of work.

2

Ensuring the effective and economic operation of the Return to Work scheme.

Delivering the new legislation and new service model in a relatively short period was a substantial business undertaking with potential for customer disruption. Our primary focus this year was to ensure that we delivered on the three key themes of the Government's new *Return to Work Act 2014* which commenced on 1 July 2015:

1. providing early intervention to support injured workers in realising the health

benefits of work in recovering from injury and returning to work.

2. supporting workers with life defining serious injury to participate in the community when return to work is not possible.

3. employers costs are contained within reasonable limits with an expectation that the average insurance premium rate would be 2% of employer remuneration or less.

Aligning with the Government's objectives and South Australia's Strategic Plan

The State Government has developed 10 economic priorities which underpin their vision for South Australia's future to be a place where people and business thrive. The Return to Work scheme has an important role in supporting the economic prosperity of the State. Consistent with the Government's economic priority number 7 *South Australia – the best place to do business*, the successful implementation of workers compensation reform in South Australia will contribute to the following objectives:

- EP7:ST2 – work with industry to create simpler regulation that supports innovation, new investment and jobs, with an initial focus on the housing, food manufacturing and health and biomedical industries

- EP7:MT1 – create the most cost competitive business environment in the nation
- EP7:MT5 – create a system of regulation which promotes innovation and removes unnecessary burdens on business and the community, while safeguarding consumers and the environment.

Return to Work Corporation of South Australia Charter and Performance Statement

Our strategic directions are underpinned by the Government's Return to Work Corporation of South Australia Charter and Performance Statement. These strategic directions define the Government's priorities, performance expectations and measures expected of ReturnToWorkSA.

A new Charter was prepared to support the new Scheme, and the Charter and 2015-16 Performance Statement were

approved by the Minister and Treasurer in August 2015. The Charter was tabled in Parliament on 8 September 2015.

Section 15 of the Charter requires ReturnToWorkSA to include in the Annual Report information on:

- 15.1.1 – achieving its statutory obligations and functions
- 15.1.2 – achievements in securing return to work outcomes for injured workers
- 15.1.3 – performance against the targets and expectations in Part 3 Section 5 of the Performance Statement, including explanations where targets have not been achieved
- 15.1.4 – maintaining a prudent, risk based investment program
- 15.1.5 – compliance with obligations under the Act and the Corporation Act.

All of these matters are covered in this report.

Performance Statement

The following key priorities have now been achieved for 2015-16:



The quality assurance framework to ensure whole person impairment assessments meet the legislative requirements of the Act and are compliant with the Impairment Assessment Guidelines must be maintained and reviewed.



The ReCONNECT program to assist workers in navigating employment support and job placement services available to people who do not have a work injury claim must be established.



Activity to monitor delivery of the mobile case management model, monitor mobile case manager caseloads against agreed contract levels and seek continuous improvement of its outcomes must be ongoing and regular.



Activity to monitor implementation of the work capacity certificate with a view to identifying any potential enhancements must be ongoing and regular.



Activity to monitor implementation of the Return to Work premium system and the SA Industry Classification system must be ongoing and regular.



Assessment of the utilisation of health providers in the service model to ensure timely, value added services are provided must be ongoing and regular.



The provision of a risk management partnership service to support employers with a high incidence of work injury claims must be ongoing and regular.



A strategy to identify, investigate and manage common law claims must be formulated, implemented and reviewed.



Goal 1: Realising the health benefits of work

In the early days of the new Return to Work scheme we conducted seminars for six months with employers, unions, health providers, lawyers, return to work service providers and other interested groups. We introduced a new service model that was specifically designed to encourage early injury reporting and a face-to-face claims management service for workers and employers needing significant assistance with recovery, staying at work or returning to work.

Injured workers at work at key intervals after injury

	4 weeks	13 weeks	26 weeks	52 weeks
This year	75.2%	*83.2%	**86.6%	n/a
2014-15	76.2%	81.0%	86.4%	88.2%
2013-14	73.5%	81.7%	86.0%	88.2%
2012-13	72.2%	83.3%	84.5%	87.2%

*9 months to March 2016.

**6 months to December 2015.

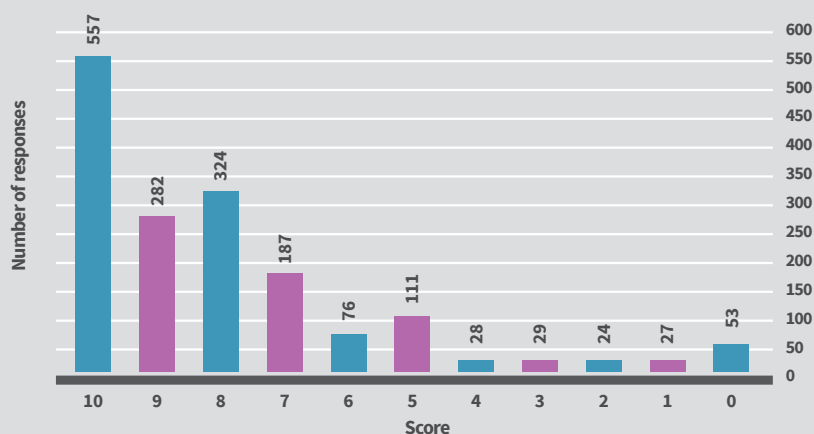
Personalised and mobile service model

The new ReturnToWorkSA business model is now the core focus in our contracts with our claims agents. We are proud of the commitment of ReturnToWorkSA staff and our claims agents to the new service approach. Whilst we and our agents have been on a steep learning curve in this first year of the new approach, the following outcomes over the year demonstrate our joint unwavering commitment to excellence:

- **Personalised service:** By 1 July 2015 our claims agents were ready with 85 **trained mobile claims staff** available to provide **face-to-face service to workers and employers**. At the end of the year there were 107 mobile claims staff throughout Adelaide and the major regional population centres with low average caseloads of 27 to enable intensive communication with our customers when it is required. 6,224 customers have now received 16,698 face-to-face services in the new Scheme.
- In late January 2016 we introduced a simple **phone claim reporting** option for our insured employers. In June 2016 67.7% of claims made were reported via phone allowing our claims agents to quickly identify which workers and employers were in need of help from a mobile claims manager.

- **Service feedback** from customers is a key feature of the new business model. Customer feedback measures form a significant component in the contract remuneration of our claims agents. From October 2015 we were able to commence regular surveying of employers and workers engaged with the mobile claims service. The surveys are designed to capture customers' opinions whilst the services are still being received, rather than only on completion. This immediacy has resulted in a very high response rate of 22.4% (typically 15% or less). Importantly, the contemporary nature of the survey means that if people indicate they are not satisfied with the service we are able to contact the customer and discuss what we can do to fix their concerns. This aspect called **service recovery is a critical element** of the new business model. 80% of respondents rated the service they were receiving at above 7, with the by far the largest cohort of responses being at the maximum score of 10 (See graph below).

Reducing disputation and adversarial contests is a key requirement outlined in the objects of the Return to Work Act 2014. Whilst the service feedback provides some encouraging qualitative and quantitative data we are unable to compare it with the past. Participant anxiety can also be measured by the levels of complaint and disputes from participants.



Personal service

Bronwyn Staples, team leader at Cara and supported by the ReturnToWorkSA insurance scheme

Bronwyn's job involves hands on work supporting individuals with severe and multiple disabilities.

In 2016 she injured her back while supporting an individual in the pool.

"My case manager, Tracey, sat down with me and talked about something that nobody had told me until now – which is that she didn't want to talk about the things that I couldn't do, she wanted to talk about the things that I could do.

"I didn't realise that there were so many things that I could go back to work and do".

Bronwyn wanted to return to work as soon as possible, which thanks to Tracey's assistance, she was able to do. While recovering she performed light duties and had another staff member assist her with heavy lifting tasks.

"The staff have been fantastic – Tracey contacts me all the time. I'll even be able to get back in the pool and build up to supporting people properly again."

Prompt decisions and payments promote focus on recovery and return to work

94%

workers reimbursed within 14 days of us receiving their receipts

91%

medical and allied health services for injured workers billed directly to our claims agents are paid within 30 day trading terms

96%

employers wages expenses reimbursed within 30 day terms

90%

claims submitted for physical injuries are assessed within 10 days



Fast and friendly service

Phil Rice, Risk and Environment Manager, Intercontinental Adelaide

When two staff sustained knife injuries in the hotel kitchen, Phil used our new phone reporting service to report the injuries and claim for medical costs.

He was pleasantly surprised at the fast and friendly service he received.

"We were able to get the outcomes we needed in a faster way. Dealing with someone over the phone and being able to have a conversation was a much better process than completing a form and waiting for someone to contact us."

- » New claim disputes registered at the South Australian Employment Tribunal (SAET) have reduced by 52.3% from 2015.
- » Employer premium disputes are down by 61.5%.
- » Complaints received are down by 24.8%.
- **Easing the anxiety** of participants in the claim process has been a key focus for our claims agents. We have tightened our focus on the getting the insurance basics right:
 - » Now 90.8% of claims submitted for recent physical injuries are assessed within 10 business days – claims for mental health injuries and claims for injuries from a long time ago take longer to establish whether or not the person is eligible for assistance. We operate a 'no fault' insurance scheme and approximately 93.6% of claims were accepted in 2015-16.
 - » Now 94.3% of workers have their expenses reimbursed within 14 days of receipt.
 - » Now 96% of employers receive wages reimbursements within 30 business days.
 - » Now 91.1% of medical and allied health providers receive payments on their invoices within 30 business days.
- **From a 'medico-legal' scheme to recovery and return to work.**

The new legislation settings, the reduction in the number of new disputes and the personalised, face-to-face service have combined to reduce ReturnToWorkSA's expenditure on independent medical reports. These reports provide an understanding of the liability aspects of a claim, rather than being aimed at improved treatment. There will always be a need for independent medical examinations in a work injury insurance scheme. However, the increased understanding and communication between workers, their employers, their doctors and our mobile claims managers has meant we now spend approximately \$300k per month rather than \$1m per month on independent medical reports.
- **Being at work outcomes.** In challenging economic times remaining at work, recovering from injury and returning to the workforce are even more important. During 2014 and 2015 we introduced a number of initiatives to help people recover at work and return to work following injury. The effort of transition to the new Scheme combined with fewer jobs in the employment market have created a challenging environment for injured workers and employers. It is pleasing to see positive signs in the 'at work' rate this first year of the new Scheme. The table above provides a summary compared to the last three years.

- **Retraining.** Whilst most people injured at work recover and return to their employment, there are people who are unable to return to employment that they are already trained for and capable of doing. The Return to Work scheme allows the employer's insurance premium to provide financial support to people in this situation. Whilst retraining may be expensive, people with resilience and strong personal motivation are able to make good use of financial support for training that increases prospects of employment.
- **Community participation and purpose.** Each year ReturnToWorkSA receives approximately 14,000 new claims for financial support. Most of these people will remain at work or return to work. A small number people will have long term disability as a result of their injury. The *Return to Work Act 2014* enables a life time care and support package for people with an assessed permanent impairment of 30% or more. By June 2018 we expect that there will be approximately 500 people who were injured under the replaced WorkCover scheme who will transition into this category of support.

ReSkilling – a new initiative

The ReSkilling program is intended to provide effective skill maintenance or training to support an injured person in the following scenarios:

- **Where they are able to return to work with their pre-injury employer once fully recovered.** However, during their recovery the person is unable to undertake alternative work with their employer. The ReSkilling program can assist with skill maintenance and provide a motivating work environment.
- **Where a person will not be able to return to work with their pre-injury employer.** The person may be able to perform a modified range of pre-injury duties or may have to contemplate different work. The ReSkilling program will help the person identify existing skills, develop new skills and employment prospects suited to their skills and capacity.

The ReSkilling program is intended to support people so they remain engaged in a working environment and, where necessary, improve their employability during the recovery and return to work process. This program is focused on jobs and skills to complement medical and allied health treatment.

The program has the following services that can be utilised in various combinations to best suit the circumstances of each injured person:

- skill maintenance and development
- skill assessment, recognition and mapping
- training – both accredited and non-accredited
- employment placement and recruitment support.



Living with serious injury

Peter Wilson, Managing Director, Determined2 and Founder of the Immersion Therapy and Give-It-A-Go Fun-Raiser Programs

In 2007, Peter was run over by a car at work, sustaining serious life-long injuries resulting in 47% permanent impairment. Peter has a total of 9 years' experience in the WorkCover and Return to Work schemes.

He considers his experience of the personalised customer service provided by case managers under the new Scheme as a vast improvement.

"The new legislation provides a valuable tool which gives me a lot more opportunity to create financial independence for myself and my family, while being nurtured and protected by my case manager. This is a lot different to before."

"What makes Peter an inspiration to me is that he is essentially an ordinary person who faced traumatic injury with its long term consequences, and he is now doing extraordinary deeds that create a better life for many people. For a dose of optimism visit his website at www.determined2.com.au."

**Rob Cordiner Deputy CEO
ReturnToWorkSA.**

For a person requiring assistance in the short-term before they return to their pre-injury employer, the injured person may participate in skill maintenance or undertake training to increase their employability. If the person cannot return to their pre-injury employer they may undergo a qualification or certificate course.

Initially, the services are being delivered by five suppliers, who have direct links with key industries. Referrals to the program commenced on 1 June 2016 and the program will operate as a pilot for up to three years.

Enhanced technology to enable better service

The new service standards required enhanced technology to enable ReturnToWorkSA and claims agent staff to access key business applications whether they are in their office or on the road. Our ICT team worked closely with our business units to design and deliver:

- 1 virtual desktop for all ReturnToWorkSA and claims agent staff for our communication, claims management and payment systems
- 1 digital records environment for all ReturnToWorkSA and claims agent staff with any paper received being scanned into an electronic format for easy storage, searching and record retrieval
- significant core system enhancements for improved efficiency in the delivery of important financial services to injured workers, employers and medical and allied health providers
- an online Learning Management System for ReturnToWorkSA and claims agent staff to enable consistent training on the core elements of the new Scheme.

Supporting Scheme service providers to deliver better health outcomes

ReturnToWorkSA supported medical and other service providers throughout 2015-16 to help them achieve better health outcomes for their patients with a work injury.

We contacted over 750 health providers, listening to their challenges and providing practical information and support. 8 online education modules for allied health providers were released and we delivered more than 80 face-to-face education sessions around the state to over 1,100 health providers and practice managers.

EnABLE – Supporting people with catastrophic injuries

We understand that workers who have severe traumatic work injuries require a high level of personalised support and case management. Together with their families, they need ongoing support from the time of injury to achieve sustainable quality of life outcomes commensurate with their abilities.

To provide a greater level of care to people with severe and traumatic injuries, we established a specialised unit made up of a small team of insurance claim consultants and disability support consultants. The team provides assistance under the EnABLE program which is designed to support and empower people with a severe traumatic injury.

A disability support consultant contacts the person injured and/or their family and employer as soon as they are aware of the injury to provide immediate assistance. Due to the traumatic nature of the injury, services and support often commence before a claim has been made.

Our disability support consultants work in partnership to plan and deliver an

individually tailored care and support service that enables participants to achieve their personal goals, have greater control over their lives, build positive aspirations, maximise their independence and participate more fully in the community.

Typically around 8 people each year suffer severe and traumatic injury.

We believe that focusing on recovery, and achieving a positive quality of life are important elements in providing lifetime care to workers with a severe traumatic work injury.

Impairment assessments

Whole person impairment assessments are a critical element of the Return to Work scheme, helping to determine whether an injured worker is entitled to lifetime care and support (whole person impairment equal to or greater than 30%), and also factoring into the calculation of lump sum entitlements for economic loss and non-economic loss for workers who do not meet the criteria for serious injury.

ReturnToWorkSA conducts compliance reviews of permanent impairment assessment reports to ensure they are compliant with the Act and the Minister's Impairment Assessment Guidelines, and also provides support to accredited Impairment Assessors through training and enquiry management.

In 2015-16, 1,083 permanent impairment assessment reports were received. Of these, 89.4% were performed under the new Scheme guidelines (the remainder were performed under old Scheme guidelines and primarily related to outstanding disputes).

Of the total reports received, 79.9% were compliant on first review. No reports were formally declared non-compliant, which means that all issues were able to be resolved through agreement.

ReCONNECT program

ReCONNECT is a free and voluntary service to deliver practical assistance to the small number of people who require

some ongoing support to transition from Scheme funded services to community based support services at the end of their claim. 107 clients were supported by ReCONNECT in 2015-16.

Regional engagement strategy

Our regional engagement strategy was developed to support people injured at work, employers, return to work coordinators and medical practitioners in South Australia's regional and rural areas. The strategy includes a number of initiatives designed to support employers and health practitioners to assist people injured at work to achieve the best possible recovery and return to work outcomes.

Our claims agents have mobile claims managers resident in Mt Gambier and the Iron Triangle with drive-in support available to other regional areas.

Our workplace advisory team delivered face-to-face training to employers and return to work coordinators in Port Lincoln, Port Augusta, Whyalla, Port Pirie, Clare, Barossa, Berri and Mount Gambier on the following topics including:

- identifying suitable duties
- preparing return to work plans
- engaging managers
- explaining the new Return to Work scheme.

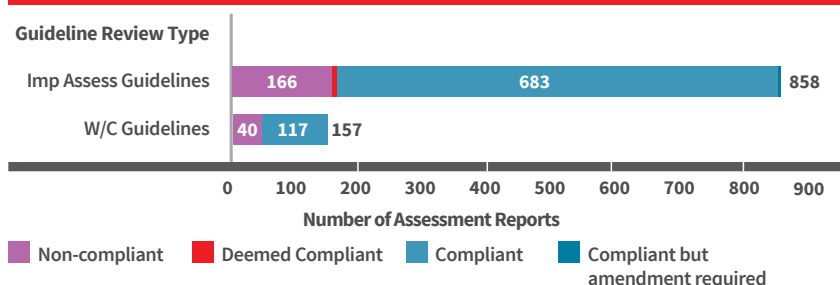
While in these regional areas, the workplace advisory services team undertook numerous onsite visits with employers.

Information sessions were also delivered for self-insured employers on topics including internal audit and corrective action, hazard management, and planning, measurement and review.

We also delivered a range of initiatives targeting medical practitioners and professionals including:

- delivering musculoskeletal workshops
- hosting forums for Practice Managers

Number of reports by guideline review type



- communicating the health benefits of work and implementing the GP campaign
- introducing the new Work Capacity Certificate which is designed to help to identify what workers can do while they continue recovery following a work injury.

Developing a new premium system

We believe that to deliver a more affordable Scheme for employers it is important to have a premium system which supports injury prevention and remain at and return to work outcomes.

Following 12 months of consultation with employer associations and employers about the high cost, obstacles and complexity of the then WorkCover insurance premium system, it was clear that a new simpler premium system was needed. The new system would need to promote injury prevention, recovery from injury at work and cooperation between employers, injured workers and their insurer.

In December 2014 two new premium options were provided to employer associations for consideration. Whilst both were simpler to understand and encouraged early and safe return to work, one option created less volatility for the premium paying customer. Almost all associations and individual employers preferred the less volatile option.

The new premium system commenced on 1 July 2015 and coincided with the introduction of the new *Return to Work Act 2014*. In 2015-16 the average premium

rate charged dropped from 2.75% to 1.95% of employers declared wages, representing approximately \$180 million in savings for employers in 2015-16.

In considering the average premium rate to charge for 2016-17 there have been a number of important considerations:

- volatility in the investment markets around the world
- a volatile and generally deteriorating 'risk free' rate of return on funds – typically dependent upon the 10 year Australian Government bond rate which reached its lowest level ever recorded
- difficult economic conditions for our business customers
- a new Return to Work scheme with a substantially different financial benefit package for workers with injuries, including components that will take some years to mature such as new lump sum payments and a life time care package for seriously injured workers.

The average premium rate for 2016-17 will be held at 1.95% of remuneration of South Australian businesses.

Providing free information and advisory services

We fund the Legal Services Commission (LSC) to provide a free information and advisory service to workers about work injury insurance matters and processes. Since the service commenced in August 2013, the LSC has received 690 telephone enquiries and arranged 180 advice appointments.



About the new insurance premium system

The new insurance premium system applies to all registered employers regardless of their size and is designed to be simple and easy to understand, and promote a strong injury prevention and return to work focus in the workplace. The key features of the new premium system are:

1

A simple premium calculation formula that is easy to explain and understand.

2

Discount for 'no claims' and good return to work rates applied upfront to the base premium of all employers based on their size.

3

Income support costs of claims only will be used in the premium calculation. Employers can influence the amount of premium they pay by focussing on return to work.

4

Only paid income support costs of claims will be used in the premium calculation. Claims estimates will no longer be used.

5

Discount applied upfront to the base premium of all employers based on their size.

6

The same claims costs will not be used in more than one premium year.

7

The adjusted premium calculation at the end of the financial year will be based on changes to remuneration only.



Goal 2: Ensuring the effective and economic operation of the Return to Work scheme

Fewer new disputes mean greater efficiencies and more time helping people.

Complaints in 2015-16 reduced by



New disputes about premiums reduced by



New disputes about claims reduced by



ReturnToWorkSA and our claims agents administrative efficiency

ReturnToWorkSA is operating in a new legislative environment after 27 years of relative stability. The new Return to Work scheme already collects less premium revenue from employers and will have fewer open active claims from injured workers by 2018-19 with a more intensive service model focussed on realising the health benefits of work in our community. In order to have a durable scheme for South Australia, the premium has to be affordable for South Australian employers. Employers' premiums are a percentage of their remuneration paid to their workforce. Whilst most of the premium collected goes to paying claims expenses for people injured, the remainder goes to the operating costs of the Scheme. We expect to reduce our operating costs as a proportion of employer remuneration as the new Scheme premium revenue reduces and active claims numbers stabilise over the next two years.

This year we have laid the foundation for improved efficiency with:

- improved service resulting in fewer complaints and fewer labour intensive disputes
- the adoption of electronic records for all claims and administrative operations
- the adoption of one common computer systems operating environment for us and our claims agents
- the provision of an enhanced business analytics capability for us and our claims agents using a dedicated data warehouse and Tableau for distributed reporting
- the provision of an online learning capability for our claims agents in relation to critical new service capabilities

Referrals, investigations and prosecutions

	2012-13	2013-14	2014-15	2015-16
Referrals	283	342	595	507
Investigations	64	89	137	125
Prosecutions	1	5	9	8

- the development and piloting of an interface with medical practices for the electronic provision of high volume and important records such as the Work Capacity Certificate
- the commencement of a portal project to explore ways of easier and more efficient transfer and processing of high volume transactions such as service provider invoices, employer wage reimbursement requests and medical reports.

Workplace advisory services

We provide training and one-on-one assistance to return to work coordinators for registered employers to support capability development. During 2015-16 773 return to work coordinators attended training. Coordinators are also provided with free access to a range of online resources through our partnership with Return to Work Matters.

Fraud and investigations

Our Compliance and Enforcement Unit use qualitative and quantitative information from a variety of sources to identify actual and potential non-compliance and offending.

In 2015-16, our investigation activity culminated in 8 prosecutions. These prosecutions resulted in offenders having to repay significant sums as restitution and suspended prison sentences being imposed on 2 offenders, with custodial sentences for 1 offender.

The Compliance and Enforcement Unit received 507 referrals of suspected fraud. Of these, 125 investigations were completed.

Individuals found guilty of fraud under the *Return to Work Act 2014* face increased penalties of up to a \$50,000 fine or two years jail for each offence.

Regulating registered employer obligations

We continue to investigate potential breaches of the Act, with particular focus on employer obligations to appoint a return to work coordinator if they have more than 30 employees and to provide suitable employment in accordance with section 18 of the Act.

Regulating self-insured employers

We continued initiatives to support and regulate self-insured employers to ensure they meet their obligations under the Scheme.

- 30 private self-insured renewals were completed
- 5 new applicants were granted approval by the ReturnToWorkSA Board and commenced self-insurance in 2015-16
- 2 employers ceased to be self-insured.

As at 30 June 2016, there were 72 self-insured employers registered in the South Australian Scheme (see page 31).

Measured at 30 June 2016, 36 per cent (26 of 72) of self-insured employers had achieved or been granted a renewal for a period of three years or more. This includes 10 self-insured employers granted a five year period of registration with effect from 1 July 2015.

Access and equity

We are committed to providing access to our services and products to all South Australians.

We delivered the following access and equity themed information sessions to approximately 50 of our staff, claims agent staff and other scheme participants.

- working with interpreters
- cultural diversity and cultural competency
- disability awareness.

Resources available to our staff and case managers were reviewed and updated. Information on the Return to Work scheme is now available in 22 community languages.

Over 80 interpreters and translators attended an information session on the Scheme to ensure they had up to date information when providing interpreting and translating services for the Scheme.

The following private employers were self-insured at 30 June 2016

Accolade Wines Australia Limited	James Brown Memorial Trust
Adelaide Community Healthcare Alliance Incorporated	Kimberly Clark Australia Pty Ltd
Adelaide Brighton Limited	Lion Pty Ltd
Advertiser Newspapers Pty Limited	Little Company of Mary Health Care Limited
Aged Care & Housing Group Inc	Local Government Association of South Australia
Arnott's Biscuits Limited, South Australian Division	Monroe Australia Pty Ltd
Arrium Limited	Myer Pty Ltd
Arrowcrest Group Pty Ltd	Nyrstar Port Pirie Pty Ltd
ASC Pty Ltd	Origin Energy Ltd
Australia & New Zealand Banking Group Ltd	Pernod Ricard Winemakers Pty Ltd
BHP Billiton Limited	Philmac Pty Ltd
Bluescope Steel Limited	Randstad Pty Ltd
Boral Ltd	Resthaven Incorporated
Bridgestone Australia Ltd	Royal Automobile Association of South Australia Inc
Broadspectrum (Australia) Pty Ltd	Samuel Smith & Son Pty Ltd
Carter Holt Harvey Building Products Pty Ltd	Santos Ltd
Catholic Church Endowment Society Inc	Schneider Electric (Australia) Pty Ltd
Coca-Cola Amatil (Aust) Pty Ltd	Skilled Group Ltd
Coles Group Limited	Skycity Adelaide Pty Ltd
Competitive Foods Australia Pty Ltd	SMR Automotive Australia Pty Ltd
David Jones Limited	Southern Cross Care (SA & NT) Inc
Detmold Packaging Pty Ltd	Stamford Hotels & Resorts Pty Ltd
Drake SuperMarkets Pty Ltd	St Andrew's Hospital Inc
E & A Limited	Teys Australia Naracoorte Pty Ltd
ECH Inc	The Flinders University of South Australia
Eldercare Incorporated	The Smith's Snackfood Company Pty Ltd
ElectraNet Pty Ltd	The University of Adelaide
Electrolux Home Products Pty Ltd	Toll Holdings Limited
Flinders Operating Services Pty Ltd	Treasury Wine Estates Vintners Limited
Fullarton Lutheran Homes Inc	University of South Australia
GM Holden Ltd	Utilities Management Pty Ltd
Healthscope Operations Pty Ltd	Veolia Environmental Services (Australia) Pty Ltd
Helping Hand Aged Care Inc	Viterra Pty Ltd
Holcim (Australia) Holdings Pty Ltd	Walker Australia Pty Ltd
Inghams Enterprises Pty Ltd	Westpac Banking Corporation
Intercast & Forge Pty Ltd	Woolworths (South Australia) Proprietary Limited

Our investment program

Our investment strategy is a fundamental component of ensuring the long-term viability of the Scheme. The mission of the investment program is to contribute to an improved funding and pricing position for the Scheme. The current long-term return objective for the investment program is a return of CPI + 3.5 per cent.

Board approved strategic asset allocation

Throughout 2015-16, the Board approved the continuation of the moderate risk, balanced portfolio approach.

Premium management and compliance

Premium management focuses on the registered employers of the Scheme. Our employer compliance program takes a balanced and fair approach by actively pursuing non-compliance in the Scheme.

The program undertakes a comprehensive audit program that uses targeted samples to verify an employer's reported remuneration and reviews the nature of the business to ensure it has the correct classification for a corresponding industry rate. We have introduced an employer self-assessment (ESA) targeted at smaller employers which allows us to verify employer remuneration without the need to visit the employer's premises. In 2015-16:

- \$495 million in insurance premium revenue was collected from more than 50,000 registered employers
- \$5.16 million in premium debt was written off for current and accumulated uncollectable debts in previous financial years
- 5,187 employers ceased registration during the year whilst 5,158 new employer registrations were received.
- 1,184 employers were audited with \$1.9 million identified in underpayments.

Net Investment return at 30 June 2016

1 year	3 years per annum	5 years per annum
4.6%	8.5%	8.8%

Board approved strategic asset allocation

Asset Group	Percentage of total investment portfolio
Domestic Cash	2%
Fixed Interest	12%
Inflation-Linked Securities	22%
Alternative Income	12%
Australian Equities	11%
International Equities	21%
Property and Infrastructure	20%

Premium disputes and review

Our dispute resolution process enables employers who are dissatisfied with a decision about a premium or certain related decisions to request a review.

In 2015-16, we received 37 review applications compared with 103 in the previous financial year.

A total of 52 disputes and review files were closed during 2015-16:

- 21 were withdrawn or conceded in favour of the employer after reconsideration
- 18 were resolved by conciliation
- 2 were determined by the premium review panel
- 11 were withdrawn at formal review.

The panel conducted 31 directions hearings and 2 full hearings.

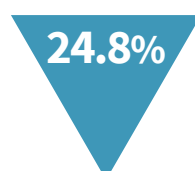
Workforce planning and development



ReturnToWorkSA workforce planning and development



99%
of employees have had
a performance review
in the last 12 months



reduction in public
complaints



notifiable WHS incidents

Workforce Diversity

Number of Employees By Age Bracket By Gender Age Bracket	Male	Female	Other	Total	% of Total	2014 Workforce Benchmark*
15-19	0	0	0	0	0.0%	5.5%
20-24	0	1	0	1	0.4%	9.7%
25-29	7	9	0	16	5.6%	11.2%
30-34	13	23	0	36	12.7%	10.7%
35-39	17	13	0	30	10.6%	9.6%
40-44	18	27	0	45	15.8%	11.4%
45-49	20	27	0	47	16.5%	11.1%
50-54	19	27	0	46	16.2%	11.4%
55-59	17	15	0	32	11.3%	9.1%
60-64	7	15	0	22	7.8%	6.7%
65+	6	3	0	9	3.2%	3.6%
TOTAL	124	160	0	284	100%	100%

* It is not mandatory for ReturnToWorkSA employees to disclose information about their disabilities. Therefore some specific information associated with workforce diversity is not available.

Executives

Executives by gender, classification and status*

Classification	Ongoing			Term tenured			Term untenured			Other (casual)			Total					
	M	F	X	M	F	X	M	F	X	M	F	X	M	%	F	%	X	
CEO				1									1	14	0			
Executives*				5	1								5	71	1	14		
Total				6	1								6	86	1	14		

* An executive is an employee who receives a total salary of \$115 938 or more or a total remuneration package value equivalent to \$145 021 per annum or more and who has executive responsibilities or occupies a position having a work value of 670 points or more.

Leave management

Average days leave per full time equivalent employee

Leave type	2012-13	2013-14	2014-15	2015-16
Sick Leave	5.22	7.95	5.44	5.51
Family Carer's Leave	1.37	1.34	1.47	1.24
Special Leave With Pay	0.15	0.02	0.01	0.00

Performance development

Documented review of individual performance management

Employees with ...	% total workforce
A review within the past 6 months	99.17
A review older than 6 months*	0.83
No review	0.00

*Includes employees on long term leave eg. maternity leave.

Leadership and management development

Leadership and management training expenditure

Training and development	Total cost	% of total salary expenditure
Total training and development expenditure	\$435,689.78	1.630
Total leadership and management development expenditure	\$76,310.75	0.285

Work health and safety and injury management

Work health and safety prosecutions, notices and corrective action taken

Number of notifiable incidents pursuant to WHS Act Part 3	Nil
Number of notices served pursuant to WHS Act Section 90, Section 191 and Section 195 (Provisional improvement, improvement and prohibition notices)	Nil
Number of prosecutions pursuant to WHS Act Part 2 Division 5	Nil
Number of enforceable undertakings pursuant to WHS Act Part 11	Nil

Work health and safety performance (building safety excellence targets)

Total new workplace injury claims	3
Significant musculoskeletal injuries – where lost time exceeds one working week	2
Significant psychological injuries – where lost time exceeds one working week	Nil
Total significant injuries – where lost time exceeds one working week	2

ReturnToWorkSA workers compensation premium expense for 2014/2015 compared with 2015/2016

Year	Premium expense
2014-15	\$180,115
2015-16	\$106,915

Employment opportunity programs

ReturnToWorkSA continued to promote all externally advertised job vacancies through Disability Works Australia and the Indigenous Information Network of South Australia (Turkindi).

Disability access and inclusion plans

As part of our commitment to meeting the needs of people with a disability we undertook a range of activities including:

- continuing development of our Disability Access and Inclusion Plan for 2016 – 2018
- reviewing and updating our events policy to ensure that our staff are aware of their responsibilities to hold staff and stakeholder events in accessible venues
- promoting how to request information in an alternative format on all our products and our website
- promoting externally advised job vacancies through Disability Works Australia
- delivering a disability awareness session to our staff and other Scheme service providers
- continuing to provide training to relevant staff on how to receive and make calls through the National Relay Service – this service is promoted on all products and our website as a way for people who are deaf/have a hearing or speech impairment can access our services
- developing the ReturnToWorkSA website to conform to level AA of the W3C Web Content Accessibility Guidelines 2.0. – the website is regularly audited to maintain that standard
- organising workplace modifications as required for individual staff.

Public complaints

There has been a significant reduction in the number of claim related complaints received by ReturnToWorkSA and its claims agents. During 2015-16, a total of 604 formal complaints were handled which is a decrease compared to 2014-15 (803 received) and in 2013-14 (1,083).

Corporate governance and administration



Corporate governance

ReturnToWorkSA Board

ReturnToWorkSA has a Board of 7 members who are appointed by the Governor of South Australia on the recommendation of the Minister for Industrial Relations. The Board's role is to set and approve our overall direction and performance. Board sub-committees also meet on a regular basis to fulfil their obligations in specialist areas. The ReturnToWorkSA Board comprised:

- Jane Yuile (Chairman)
- Joanne Denley
- Dr William Griggs, AM, ASM
- Chris Latham
- Peter Malinauskas (*resigned and last meeting November 2015*)
- Nigel McBride
- Yvonne Sneddon
- Joe Szakacs (*appointed and first meeting May 2016*).

Darren Jones was the Treasurer's Representative in 2015-16.

Executive Management Team

Our Chief Executive Officer is appointed by the Board to oversee the day-to-day operations of our organisation, together with the Executive Management Team. In February 2016 CEO Greg McCarthy informed the Board of his intention to retire at the end of his contract in late 2016. The Board authorised changes within the executive team to enable a smooth transition to Greg's successor in late 2016.

The Executive Management Team as at 30 June 2016 comprised:

- Greg McCarthy, Chief Executive Officer
- Rob Cordiner, Deputy CEO
- Michael Francis, General Manager Insurance

- Julia Oakley, General Manager Regulation
- Des Quirk, Chief Financial Officer.

Risk management

In order for us to achieve our strategic direction, it is critical that risks are identified and managed. We have a risk management system that includes a risk appetite statement and incorporates the corporate perspective (top-down) and operational imperatives (bottom-up). Risks are actively monitored and managed by the Executive and the Board.

Internal audit and internal fraud

Our three year internal audit plan is reviewed annually to ensure it continues to reflect current issues impacting on ReturnToWorkSA, and to prioritise areas of higher risk. Internal auditing services are provided by PricewaterhouseCoopers (PwC) who report to the ReturnToWorkSA Board Audit and Risk Committee.

In 2015-16, there were no instances of internal fraud detected.

Administrative matters

Access to information

In 2015-16, access to information held by us was obtained under section 180 of the *Return to Work Act 2014* (previously referred to as the Act) and the *Freedom of Information Act 1991* (FOI Act).

Any person with a workers compensation claim (and/or their representatives) in South Australia has access to information relevant to their claim.

The FOI Act gives any person a right of access to documents held by State Government agencies including ReturnToWorkSA.

In 2015-16, 1,536 applications were received for access to information. Of these, 1,183 (77 per cent) were lodged under section 180 of the Act (2014-15:1341) and 353 (23 per cent) under the FOI Act (2014-15: 390).

If an applicant is dissatisfied with a determination under section 180 of the Act or the FOI Act they can apply for a review of that determination. In 2015-16, we received 3 internal reviews under section 180 of the Act and 1 internal review under the FOI Act. We did not receive any external reviews.

Further information about Freedom of Information can be found at www.rtwsa.com.

Whistleblowers Protection Act 1993

We maintain an appointed officer for administering the *Whistleblowers Protection Act 1993* (WPA), under section 7 of the *Public Sector Act 2009*.

In 2015-16, there were no instances of disclosure of public interest information to a responsible ReturnToWorkSA officer under the WPA.

Contractual arrangements

Information regarding ReturnToWorkSA contracts can be requested by calling us on the South Australian Tenders and Contracts website (www.tenders.sa.gov.au).

Consultants			
Consultancy	Purpose of consultancy	Number	\$
Total under \$10,000		3	15,148
Adelaide Research & Innovation Pty Ltd	Evaluation of RTW Fund		
Business SA	Return to Work Fund Project		
C3 Business Solutions Pty Ltd	Consultancy Advice		
Civil Contractors Federation SA	Return to Work Fund Project		
Deloitte Touche Tohmatsu	Consultancy Advice		
Durban Professionals Pty Ltd	Consultancy Advice		
Ernst & Young	Consultancy Advice		
Finity	Actuarial Advice		
Flinders University of SA	Consultancy Advice		
Michels Warren Pty Ltd	Consultancy Advice		
Motor Trade Association of SA Inc	Return to Work Fund Project		
Paul Laband	Investment Consulting		
PriceWaterhouseCoopers (NSW)	Consultancy Advice		
Radek Stratil	Consultancy Advice		
Safe Work Practice	Return to Work Fund Project		
The University of South Australia	Consultancy Advice		
Towers Watson	Investment Consulting		
Vassily Koinov	Consultancy Advice		
WorkXtra Finwich	Return to Work Fund Project		
Total over \$10,000		19	2,362,208
Total		22	2,377,356

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Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Premium revenue	8	495,123	644,997
Cost of claims	9	(521,933)	809,718
Claims management fees		(72,922)	(100,997)
Ombudsman, tribunal and panel fees	12	(10,165)	(9,116)
Underwriting result		(109,897)	1,344,602
Net Investment profit	8	122,489	223,138
Self-insured employer fee	8	12,302	16,022
Other income	8	781	1,587
Net investment profit and other income		135,572	240,747
SafeWork SA		-	(11,651)
Return to Work Fund		(169)	(705)
General operating expenses	13	(66,492)	(70,833)
Total operating expenses		(66,661)	(83,189)
Operating profit/(loss) before tax equivalents		(40,986)	1,502,160
Tax equivalents		-	-
Operating profit/(loss) after tax equivalents		(40,986)	1,502,160
<i>Other comprehensive income – items that will not be reclassified to profit or loss</i>			
Re-measurements of defined benefit liability	14(b)	(3,414)	(844)
Total comprehensive result		(44,400)	1,501,316

The total comprehensive result is attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

ReturnToWorkSA

Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Cash	15	3	3
Trade and other receivables	16	78,200	69,385
Investments	17,24	2,749,676	2,863,158
Property, plant and equipment	18	5,771	6,835
Intangible assets	19	16,759	21,147
Total assets		2,850,409	2,960,528
Liabilities			
Trade and other payables	21	22,673	53,859
Outstanding claims	10,11	2,480,528	2,517,600
Employee benefits	14(a)	21,212	17,594
Provisions	22	636	1,715
Total liabilities		2,525,049	2,590,768
Net (liabilities)/assets		325,360	369,760
Equity			
Retained earnings		325,360	369,760
Total equity		325,360	369,760
Commitments	28		
Employer financial guarantees	29		
Contingent liabilities	30		

The total equity is attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

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Statement of Changes in Equity

for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
Total equity at the start of the year	369,760	(1,131,556)
Total comprehensive result	(44,400)	1,501,316
Total equity at the end of the year	325,360	369,760

All changes in equity are attributable to the SA Government as owner.

Statement of Cash Flows

for the year ended 30 June 2016

	Notes	2016	2015
		\$'000	\$'000
Cash flows from operating activities			
Premium receipts		563,870	716,860
Claim recoveries		25,564	25,235
Other receipts		1,719	836
Claim and other related payments		(618,983)	(544,149)
Interest received		38,998	43,705
Dividends received		45,182	52,894
Other payments to suppliers and employees		(178,054)	(158,516)
GST		(28,997)	(45,675)
Investment expenses		(5,236)	(5,374)
Net cash from operating activities	23	(155,937)	85,816
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	5
Proceeds from the sale of investments		761,283	1,601,470
Acquisition of property, plant and equipment		(614)	(612)
Acquisition of investments		(703,581)	(1,648,120)
Net cash used in investing activities		57,088	(47,257)
Net increase in cash and cash equivalents		(98,849)	38,559
Cash and cash equivalents at the beginning of the period		180,864	142,305
Cash and cash equivalents at the end of the period	15	82,015	180,864

The above statements should be read in conjunction with the accompanying notes.

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Notes to and forming part of the financial statements

30 June 2016

Note 1 Reporting entity, objectives and significant changes in the reporting period

ReturnToWorkSA (RTWSA), the principal trading name of the Return to Work Corporation of South Australia is a statutory authority set up under the Return to Work Corporation of South Australia Act 1994. Domiciled in Australia RTWSA provides insurance protection for South Australian employers and their workers in the event of work-related injury. RTWSA administers the Return to Work Act 2014 (the Act).

There was no significant change occurring in the reporting period. The prior period reflected the significant reduction in the net liability for outstanding claims due to the enactment of the Act.

For financial reporting purposes four separate funds are recognised as comprising RTWSA:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

Compensation Fund

The Compensation Fund was established on 30 September 1987 under Section 64 of the repealed Workers Rehabilitation and Compensation Act 1986 and continues under the Return to Work Act 2014. Workers injured at work are supported and assisted in returning to work through the payment of income support, medical and other treatment costs.

Statutory Reserve Fund

The Statutory Reserve Fund was established under the repealed Workers Compensation Act 1971 and came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer.

The Compensation Fund is required to meet any liability arising from a shortfall of the Statutory Reserve Fund.

Insurance Assistance Fund

The Insurance Assistance Fund exists to support policies issued under Section 118(g) of the repealed Workers Compensation Act 1971. These policies provided assistance to employers who were unable to obtain satisfactory workers compensation insurance under the repealed act at a determined premium.

The Statutory Reserve Fund is required to meet any liability arising from a shortfall of the Insurance Assistance Fund.

Mining and Quarrying Industries Fund

Amendments to the repealed Workers Rehabilitation and Compensation Act 1986 provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. Funds standing to the credit of the Silicosis Fund were transferred to RTWSA and credited to a special account entitled 'Mining and Quarrying Industries Fund' which is divided into two parts:

- Part A - to satisfy liabilities under the Silicosis Scheme established under the repealed act; and,
- Part B - to be available to the Mining and Quarrying Occupational Health and Safety Committee for the purposes referred to in the Fourth Schedule.

The Mining and Quarrying Occupational Health and Safety Committee has responsibility for the administration of the Fund.

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Notes to and forming part of the financial statements

30 June 2016

Note 2 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the Public Finance and Audit Act 1987.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (AASBs) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act 1987.

RTWSA has applied Australian Accounting Standards that are applicable for not-for-profit-entities, as RTWSA is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by RTWSA for the reporting period ending 30 June 2016. None of these are expected to have a significant effect on the financial statements of RTWSA, except as outlined in the table below:

Reference	Title	Summary	Impact	Application date for RTWSA
AASB 16	Leases	<p>Introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value.</p> <p>A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.</p>	<p>It will require RTWSA to record almost all lease arrangements on-balance sheet.</p> <p>There will be significant work for RTWSA to bring all leases currently treated as operating onto balance sheet.</p> <p>RTWSA will commence its analysis of current leasing arrangements based on AASB 16 shortly.</p>	1 July 2019

Note 3 Basis of preparation

The financial statements have been prepared based on a twelve month period and are presented in Australian currency and have been rounded to the nearest thousand dollars (\$'000s).

The preparation of financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with Accounting Policy Statements issued pursuant to section 41 of the Public Finance and Audit Act 1987. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;
 - expenses incurred as a result of engaging consultants;
 - employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;

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Notes to and forming part of the financial statements 30 June 2016

- d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

Judgements made by management in the application of AASBs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

The Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for financial assets that are stated at their fair value and outstanding claims and related recoveries that are discounted to present value using a risk-free rate.

The Statement of Cash Flows has been prepared on a cash basis.

The Statement of Financial Position is prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current amounts and non-current amounts. Information regarding the amount of an item that is expected to be outstanding longer than 12 months is included within the relevant note to the financial statements.

The accounting policies set out in Note 5 and throughout the notes have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

Note 4 Use of judgements and estimates

RTWSA makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on RTWSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of outstanding claims liability.

Outstanding claims liability

RTWSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability are set out in Notes 10 and 11.

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the reporting period. Risk-free rates are used when discounting liabilities to current values. RTWSA has adopted a risk margin of 7.0% for the Compensation Fund (2015: 6.5%) and 6.0% for the Statutory Reserve Fund (2015: 6.0%) and the Insurance Assistance Fund (2015: 6.0%) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 25% (2015: 25%)) at 65% (2015: 65%) probability of sufficiency as approved by the Board. The risk margins were determined based on advice from Finity Consulting Pty Ltd.

The outstanding claims liability includes a liability in respect of the estimated cost of claims incurred but not settled at the reporting period, including the cost of claims incurred but not yet reported (IBNR) to RTWSA. The IBNR which relates principally to claims for asbestos related diseases affects mainly the Statutory Reserve Fund and the Insurance Assistance Fund. The outstanding liability for the Mining and Quarrying Industries Fund, which had its triennial valuation at 30 June 2016, is \$100,000.

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries.

Premiums receivable

The premiums receivable balance is the estimate of premiums due up to 30 June to be received after allowing for impairment and refunds.

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Notes to and forming part of the financial statements 30 June 2016

Note 5 Significant accounting policies

(a) Administered items

The financial statements and accompanying notes include all the controlled activities of RTWSA. Transactions and balances relating to administered resources are not recognised as corporation income, expense, assets and liabilities. As administered items are insignificant in relation to RTWSA's overall financial performance and position, they are disclosed under administered items at Note 31. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as RTWSA items.

(b) Foreign currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Amounts payable to and by RTWSA in foreign currencies have been translated to Australian currency at rates of exchange current at the reporting period with resulting exchange differences brought to account at 30 June 2016.

(c) Insurance contracts

Insurance contracts are contracts under which an entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified future event (the insured event) adversely affects the policyholder or other beneficiary. RTWSA's liabilities for outstanding claims are similar in nature to general insurance contracts and accordingly are treated as general insurance contracts for the purpose of AASB 1023 General Insurance Contracts.

(d) Assets backing insurance liabilities

The assets backing insurance liabilities (outstanding claims) are those assets required to cover the insurance liabilities. Insurance liabilities are defined as outstanding claims and the liability for unearned premiums included in the Statement of Financial Position. As RTWSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, RTWSA considers that substantially all of its assets, excluding property, plant and equipment, and intangible assets exist to back these insurance liabilities. As part of its investment strategy RTWSA seeks to manage its assets allocated to insurance activities having regard to the characteristics of the insurance liabilities.

(e) Revenue

Revenue is recognised to the extent that it is probable that the flow of economic benefits to RTWSA will occur and can be reliably measured.

Revenue has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Claims recoveries

Claims recoveries are made from a range of parties in accordance with the Act.

Recoveries received are offset against the cost of claims. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims in that they are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. Movements in recoveries receivable are also shown as a cost of claims.

(f) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Net profit/loss on non-current assets

Any profit/loss on disposal of property, plant and equipment is recognised at the date control of the asset is passed to the buyer and determined after deducting the proceeds from the carrying amount at the time of disposal.

Operating lease payments

Operating leases are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line method is representative of the pattern of benefits derived from leased assets.

Claims management fees

Claims management fees are determined on an accruals basis in accordance with the respective agreements between RTWSA and its claims agents.

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Notes to and forming part of the financial statements

30 June 2016

Employee benefits - wages, salaries, skills and experience retention leave, annual leave and long service leave

Liabilities for employee benefits for wages, salaries, annual leave and skills and experience retention leave that are expected to be settled within 12 months of the reporting date and are measured at the undiscounted amount expected to be paid.

Where annual leave liability and skills and experience retention leave liability are expected to be payable later than twelve months, the liability is measured at present value.

The measurement and classification of long service leave is outlined in Note 14(a).

Employee benefits - defined contribution superannuation plan

Obligations for contributions to defined contribution superannuation funds are recognised in the Statement of Comprehensive Income as incurred.

(g) Taxation

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, effective 1 July 2015, RTWSA is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period.

RTWSA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of GST, except when the amount of GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO). The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

(h) Futures contracts

Futures contracts are recorded in the financial statements at fair value. The fair value is the unrealised gain/loss on the outstanding contracts as at the reporting period. All open futures contracts mature within 12 months of the reporting period.

(i) Segment reporting

RTWSA operates within the insurance industry predominantly providing for the recovery, return to work and compensation of workers with respect to injuries and diseases arising from their employment. RTWSA operates solely in the State of South Australia.

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Notes to and forming part of the financial statements

30 June 2016

Note 6 Reporting by fund

(a) Statement of Comprehensive Income for the year ended 30 June 2016

			Statutory	Insurance	Mining & Quarrying		2016	2015
	Notes	Compensation	Reserve	Assistance	Industries Fund		Total	Total
		Fund	Fund	Fund	Part A	Part B	Funds	Funds
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Premium revenue		495,123	-	-	-	-	495,123	644,997
Cost of claims	9	(517,132)	(4,805)	4	-	-	(521,933)	809,718
Claims management fees		(72,922)	-	-	-	-	(72,922)	(100,997)
Ombudsman, tribunal and panel fees		(10,165)	-	-	-	-	(10,165)	(9,116)
Underwriting result		(105,096)	(4,805)	4	-	-	(109,897)	1,344,602
Net investment profit		113,596	7,098	1,087	12	696	122,489	223,138
Self-insured employer fee		12,302	-	-	-	-	12,302	16,022
Other income		781	-	-	-	-	781	1,587
Net investment profit and other income		126,679	7,098	1,087	12	696	135,572	240,747
Safework SA		-	-	-	-	-	-	(11,651)
Return to Work Fund		(169)	-	-	-	-	(169)	(705)
General operating expenses		(65,472)	(1)	-	-	(1,019)	(66,492)	(70,833)
Total operating expenses		(65,641)	(1)	-	-	(1,019)	(66,661)	(83,189)
Operating profit/(loss) before tax equivalents		(44,058)	2,292	1,091	12	(323)	(40,986)	1,502,160
Tax equivalents		-	-	-	-	-	-	-
Operating profit/(loss) after tax equivalents		(44,058)	2,292	1,091	12	(323)	(40,986)	1,502,160
Other comprehensive income - <i>items that will not be reclassified to profit or loss</i>								
Re-measurements of defined benefit liability		(3,414)	-	-	-	-	(3,414)	(844)
Total comprehensive result		(47,472)	2,292	1,091	12	(323)	(44,400)	1,501,316

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Notes to and forming part of the financial statements

30 June 2016

(b) Statement of Financial Position as at 30 June 2016

					Mining & Quarrying Industries Fund		2016	2015
	Notes	Compensation	Statutory Reserve	Insurance Assistance			Total	Total
		Fund	Fund	Fund	Part A	Part B	Funds	Funds
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets								
Cash		3	-	-	-	-	3	3
Trade and other receivables		78,169	-	-	-	31	78,200	69,385
Investments		2,559,932	150,485	23,401	272	15,586	2,749,676	2,863,158
Property, plant and equipment		5,771	-	-	-	-	5,771	6,835
Intangible assets		16,759	-	-	-	-	16,759	21,147
Total assets		2,660,634	150,485	23,401	272	15,617	2,850,409	2,960,528
Liabilities								
Trade and other payables		22,593	-	-	-	80	22,673	53,859
Outstanding claims	10,11	2,408,903	71,282	243	100	-	2,480,528	2,517,600
Employee benefits		21,212	-	-	-	-	21,212	17,594
Provisions		636	-	-	-	-	636	1,715
Total liabilities		2,453,344	71,282	243	100	80	2,525,049	2,590,768
Net assets / (liabilities)		207,290	79,203	23,158	172	15,537	325,360	369,760
Equity								
Retained earnings		207,290	79,203	23,158	172	15,537	325,360	369,760
Total earnings		207,290	79,203	23,158	172	15,537	325,360	369,760

Note 7 Funding ratio

The funding ratio is a measure of financial sustainability showing the availability of assets to fund the Scheme's liabilities.

The Board approved policy sets a funding range of 90% to 120%. The percentage is calculated from dividing total assets by total liabilities.

	2016	2015
	\$'000	\$'000
Funded (unfunded) position	325,360	369,760
Funding percentage	112.9%	114.3%

The mechanism for managing the funding position is the Average Premium Rate. Each year the Average Premium Rate is reviewed and future projections of Scheme liability and cost are analysed to determine the most appropriate Average Premium Rate to achieve RTWSA's desired long-term funding and pricing position.

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Notes to and forming part of the financial statements

30 June 2016

Note 8 Income

(a) Premium revenue	2016	2015
	\$'000	\$'000
Registered employer premium	493,846	642,789
Fines and penalties	1,277	2,208
Premium revenue	495,123	644,997

Premium revenue

Premiums are payable by all registered South Australian employers under the Act.

Premiums are calculated on the total remuneration paid by employers for the financial year, including consideration for claims experience and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for premiums relating to the current financial year which are payable following the reporting period. Premiums attributable to future years and received in the current financial year have been classified as unearned premiums (refer Note 21).

(b) Net Investment profit	2016	2015
	\$'000	\$'000
Dividends	45,182	52,894
Interest received	38,998	43,705
Change in net market values:		
Investment held at end of the financial year	58,130	150,851
Investment realised during the financial year	(15,061)	(19,427)
Investment profit	127,249	228,023
Investment expenses	(4,760)	(4,885)
Net investment profit	122,489	223,138

Investment income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date RTWSA's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

(c) Self-insured employer fee	2016	2015
	\$'000	\$'000
Self-insured employer fee - SA Government	5,402	7,356
Self-insured employer fee - Non SA Government	6,900	8,666
Self-insured employer fee	12,302	16,022

(d) Other income		2016	2015
	Notes	\$'000	\$'000
Defined benefit fund	14(d)	537	598
Sundry income		244	989
Other income		781	1,587

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Notes to and forming part of the financial statements

30 June 2016

Note 9 Cost of claims

	Notes	Compensation Fund \$'000	Other Funds \$'000	2016 Total Funds \$'000	2015 Total Funds \$'000
Income support		177,278	-	177,278	201,767
Redemptions		169,211	-	169,211	50,795
Lump sum payments		65,365	-	65,365	60,452
Hospital treatment		16,639	-	16,639	14,141
Medical treatment		66,949	-	66,949	76,888
Vocational rehabilitation		9,994	-	9,994	16,412
Physiotherapy		9,580	-	9,580	10,204
Legal costs		32,451	174	32,625	31,254
Other		34,435	1,181	35,616	46,775
Claims paid		581,902	1,355	583,257	508,688
Less recoveries from other parties		(21,429)	(1,811)	(23,240)	(22,941)
Net claims paid		560,473	(456)	560,017	485,747
(Decrease) / Increase in net outstanding claims liability	10,11	(56,214)	5,257	(50,957)	(1,301,555)
Net self-insurer settlements		12,873	-	12,873	6,090
Cost of claims		517,132	4,801	521,933	(809,718)

Note 10 Outstanding claims liability – Compensation Fund

(a) Outstanding claims

	Notes	2016 \$'000	2015 \$'000
Expected future gross claims payments (undiscounted)		4,442,043	5,039,936
Discount to present value		(2,190,732)	(2,738,310)
Central estimate		2,251,311	2,301,626
Risk margin		157,592	149,606
Liability for outstanding claims		2,408,903	2,451,232
Recoveries	16	(80,881)	(66,996)
Net liability for outstanding claims		2,328,022	2,384,236
Current liability for outstanding claims		431,475	523,938
Non-current liability for outstanding claims		1,977,428	1,927,294
Total liability for outstanding claims		2,408,903	2,451,232
Change in liability for outstanding claims		(42,329)	(1,311,060)
Change in claim recoveries receivable		(13,885)	28,430
Movement in net outstanding claims liability		(56,214)	(1,282,630)
Weighted average expected term to settlement		15.0 years	13.0 years

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Notes to and forming part of the financial statements

30 June 2016

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by RTWSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 300, Valuations of General Insurance Claims, the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the net liability is adequately provided to approximately a 65% probability of sufficiency as approved by the Board.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported, claims incurred but under reported and anticipated claims handling expenses including the run-off provision. The expected future payments are discounted to present value using an appropriate risk-free rate.

The claims expense or income in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Ltd. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 7.0% (2015: 6.5%) to bring the estimated net liability to a 65% probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on actuarial advice from Finity Consulting Pty Ltd. Should the timing of cash flows vary from that projected by Finity Consulting Pty Ltd then the proportions of the overall claims liability that are shown as current and non-current may vary.

The RTW Scheme is designed to provide services and up to two years of income support and up to three years of medical support for workers injured at work together with long-term financial support for those seriously injured at work. Assumptions adopted in relation to the projected future payments made to claims are detailed below in Note 10(e).

Operational changes have been made to introduce early intervention initiatives and expedite claims decisions.

The estimate of the value of the claims liability is based on the Act including the transitional provisions. Any divergence of the experience from the current valuation assumptions, whether favourable or adverse, will be reflected over time in relation to valuation assumptions.

Developments which potentially affect the Scheme's operating environment and the uncertainty of the liability estimate include:

- employer premium changes introduced with the intention of increasing the engagement of employers in the prevention and management of workplace injuries
- future cost growth in medical and treatment related expenditure items, particularly for long term claims
- the outcomes for claims with pending disputes
- actual experience for two year income support claims and whole person impairment assessments
- actual experience for serious injury claims
- the culture of the scheme and the implications for return to work outcomes
- future changes in the overall economic environment.

The decrease in the outstanding claims liability includes the net impact of the decrease in the average discount rate from 4.06% at 30 June 2015 to 3.28% at 30 June 2016.

Note 10(f) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

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Notes to and forming part of the financial statements

30 June 2016

(b) Net claims incurred

	Current year \$'000	Prior years \$'000	2016 Total \$'000	Current year \$'000	Prior years \$'000	2015 Total \$'000
Undiscounted						
Gross incurred	808,113	(788,461)	19,652	824,148	(985,799)	(161,651)
Recoveries	(13,876)	(22,690)	(36,566)	(12,591)	25,370	12,779
Net incurred – undiscounted	794,237	(811,151)	(16,914)	811,557	(960,429)	(148,872)
Discounted						
Gross incurred	508,618	83,252	591,870	451,923	(1,210,291)	(758,368)
Recoveries	(13,195)	(24,549)	(37,744)	(11,432)	16,864	5,432
Net incurred – discounted	495,423	58,703	554,126	440,491	(1,193,427)	(752,936)
Discount and discount movement						
Gross incurred – discounted	(299,495)	871,713	572,218	(372,225)	(224,492)	(596,717)
Recoveries – discounted	681	(1,859)	(1,178)	1,159	(8,506)	(7,347)
Net incurred – undiscounted	(298,814)	869,854	571,040	(371,066)	(232,998)	(604,064)

The figures for current period claims relate to the risks borne in the current reporting period. The figures for prior period claims relate to the reassessment of the risks borne in all previous reporting periods.

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(c) Claims development

	Prior years*	Year ended 30 June 2006 \$'000	Year ended 30 June 2007 \$'000	Year ended 30 June 2008 \$'000	Year ended 30 June 2009 \$'000	Year ended 30 June 2010 \$'000	Year ended 30 June 2011 \$'000	Year ended 30 June 2012 \$'000	Year ended 30 June 2013 \$'000	Year ended 30 June 2014 \$'000	Year ended 30 June 2015 \$'000	Year ended 30 June 2016 \$'000
Estimate of ultimate claims cost**												
At the end of year	-	396,059	422,794	445,035	471,917	506,902	527,850	625,012	665,173	574,982	353,734	406,719
One year later	2,331,842	419,758	435,848	447,935	480,472	487,196	586,296	616,974	602,669	403,139	373,333	
Two years later	2,444,548	452,514	460,605	461,964	489,652	521,046	562,035	581,152	435,366	400,500		
Three years later	2,406,827	437,354	475,519	457,878	517,651	499,973	545,014	415,185	448,842			
Four years later	2,344,105	417,646	484,162	492,947	525,857	515,277	448,017	416,116				
Five years later	2,307,896	417,524	496,736	513,198	542,833	420,122	429,945					
Six years later	2,284,359	420,017	499,395	510,115	415,349	432,573						
Seven years later	2,291,402	413,787	490,010	400,071	406,873							
Eight years later	2,303,645	406,540	409,044	407,104								
Nine years later	2,300,525	394,854	423,358									
Ten years later	2,321,319	392,088										
Eleven years later	2,360,026											
Current estimate of cumulative claims costs**	2,360,026	392,088	423,358	407,104	406,873	432,573	429,945	416,116	448,842	400,500	373,333	406,719
Cumulative payments**	2,169,130	351,821	359,645	344,493	348,332	327,640	328,892	326,220	299,034	240,748	153,855	60,654
Outstanding payments**	190,896	40,267	63,713	62,611	58,541	104,933	101,053	89,896	149,808	159,752	219,478	346,065
Discount adjustment***	152,825	22,825	30,876	24,964	18,115	26,226	20,781	13,655	15,574	11,250	9,670	6,921
Net outstanding claims	343,721	63,092	94,589	87,575	76,656	131,159	121,834	103,551	165,382	171,002	229,148	352,986

* Development of outstanding claim estimate as at 30 June 2006 for accidents prior to 30 June 2005.
 ** Discounted to the beginning of the accident year using actual historical discount rates and the discount rates applied in the estimation.
 *** Discount adjustment from beginning of accident year to current valuation date.

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	2016	2015
	\$'000	\$'000
Prior years	343,721	306,094
Year ended 30 June 2006	63,092	75,811
Year ended 30 June 2007	94,589	89,704
Year ended 30 June 2008	87,575	99,112
Year ended 30 June 2009	76,656	110,958
Year ended 30 June 2010	131,159	140,439
Year ended 30 June 2011	121,834	170,978
Year ended 30 June 2012	103,551	151,892
Year ended 30 June 2013	165,382	222,168
Year ended 30 June 2014	171,002	266,318
Year ended 30 June 2015	229,148	310,613
Year ended 30 June 2016	352,986	-
Net outstanding claims	1,940,695	1,944,087
Claims handling expenses	235,026	294,632
Risk margin	152,301	145,517
Net liability for outstanding claims	2,328,022	2,384,236

(d) Maturity profile

The expected maturity of the discounted net outstanding claims provision is analysed below.

	Up to 1 yr	1 to 3 yrs	3 to 5 yrs	5 to 10 yrs	10 to 20 yrs	Over 20 yrs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016	420,097	330,035	149,348	285,203	451,309	692,030	2,328,022
2015	509,282	584,349	178,479	276,626	367,257	468,243	2,384,236

(e) Key assumptions

The key assumptions used by Finity Consulting Pty Ltd in developing the valuation of the claims liability are the economic assumptions relating to inflation and discount rates and the assumptions relating to the duration and severity of claims. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors. The following key assumptions were used in the measurement of the outstanding claims liability:

	2016	2015
Economic assumptions		
Inflation rate – income support	0.00% to 3.25%	0.00% to 3.25%
Inflation – medical, legal and other costs	2.20% to 3.50%	2.75% to 3.50%
Superimposed inflation rate – medical payments	2.00% to 3.00%	2.00% to 4.00%
Superimposed inflation rate – other	0.00% to 3.00%	0.00% to 3.00%
Discount rate	3.28%	4.06%
Duration and severity of claims	Refer below	Refer below
Claims handling expenses	19.0%	14.7%
Risk margin	7.00%	6.50%

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Finity Consulting Pty Ltd has made a range of assumptions relating to the projected durations that claimants will remain in receipt of payments and the quantum of those payments having had regard to the particular characteristics of groups of claims including:

- the distribution of claims between injured and seriously injured workers (assessed as having a whole person impairment (WPI) greater than 30%)
- the analysis of past claims experience including the cost of claims.

The valuation of the outstanding claims liability is strongly dependent on the assumptions adopted in relation to the duration of the long-term claims for seriously injured workers.

(f) Sensitivity to changes in key assumptions

The sensitivity of the discounted net outstanding claims estimate and profit / (loss) impact at the 65th percentile (i.e. after allowing for the risk margin) to changes in key assumptions is shown in the following table:

	Increase/ (decrease) in net liability \$'million	Percentage of net liability
Economic and modelling assumptions		
Strong economic scenario (3% gap between inflation and discount rate)	(689)	(30%)
Weak economic conditions (-1% gap)	516	22%
Duration and severity of claims		
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	281	12%
Impact of a 6 year increase in the life expectancy of catastrophic injury claims	350	15%
WPI assessments increase by 2% as a result of the higher incentives under the RTW Act	135	6%

In conducting its valuation, Finity Consulting Pty Ltd modelled a number of other scenarios under which the assumptions for future claims experience differed from those used in the valuation. Under those scenarios the total value of the liability differed from the central estimate by plus or minus amounts which were within the variation range of values shown above.

The selection of the probability of sufficiency has a material impact on the valuation of the outstanding claims liability. The impact on the outstanding claims liability of adopting a 75% probability is shown in the following table:

	2016 \$'million	2015 \$'million
Increase in net outstanding claims liability at 75% probability of sufficiency	120.0	111.9

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Note 11 Outstanding claims liability – Other Funds

(a) Outstanding claims – SRF and IAF

	SRF	IAF	2016 Combined	2015 Combined
	\$'000	\$'000	\$'000	\$'000
Open claims	2,484	-	2,484	1,578
Total incurred but not yet reported (IBNR)	50,452	179	50,631	47,523
Claims handling expenses	4,500	15	4,515	4,174
Central estimate	57,436	194	57,630	53,275
Risk margin	13,846	49	13,895	12,993
Liability for outstanding claims	71,282	243	71,525	66,268
Recoveries	-	-	-	-
Net liability for outstanding claims	71,282	243	71,525	66,268

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Ltd. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 65% probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos related disease claims that will be made after 30 June 2016 due to exposure prior to 30 June 2016. Due to the latent nature of the disease there is a significant delay between the time of injury and reporting of the claim. Relatively few claims have been notified at the date of adopting these financial statements. The generally accepted opinion is that this delay is in the order of 40 years on average.

The asbestos related disease IBNR component was estimated by Finity Consulting Pty Ltd based on:

- forecast total future claim numbers derived by fitting projection models to the SRF/IAF claims data by disease recognising the varying nature of the exposure for different claims
- forecasts of average claim costs derived from analysis of SRF/IAF claims data, external data and information obtained from discussion with key parties. This analysis was based on disease type, size of claim and legal costs, adjusted to allow for the timing of claim payments and for future claims inflation, discounted to their present value.

(b) Maturity profile – SRF and IAF

The expected maturity of the discounted net outstanding claims provision is analysed below.

	Up to 1 yr	1 to 3 yrs	3 to 5 yrs	5 to 10 yrs	10 to 20 yrs	Over 20 yrs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016	2,249	5,008	5,898	15,333	25,928	17,109	71,525
2015	1,798	4,653	5,507	14,242	24,019	16,049	66,268

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(c) Movement in liability – SRF and IAF

	SRF			IAF		
	2016	2015	Change	2016	2015	Change
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Asbestos related						
- Reported	989	644	345	-	-	-
- IBNR / re-opened claims	50,283	47,150	3,133	179	182	(3)
	51,272	47,794	3,478	179	182	(3)
Non-asbestos related						
- Reported	1,495	934	561	-	-	-
- IBNR / re-opened claims	169	191	(22)	-	-	-
	1,664	1,125	539	-	-	-
Central estimate	52,936	48,919	4,016	179	182	(3)
Claims handling expenses	4,500	4,158	342	15	16	(1)
Risk margin	13,846	12,944	902	49	49	-
Total outstanding claims liability	71,282	66,021	5,261	243	247	(4)

(d) Key assumptions

The key assumptions used in developing the estimate of the outstanding claims liability include economic assumptions relating to inflation and discount rates, the assumptions relating to severity of claims and the assumptions used to estimate the level of claims incurred but not reported. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors.

	2016	2015
Inflation rate		
- asbestos claims	5.10%	5.50%
- non asbestos claims	3.10%	3.50%
Discount rate		
- asbestos IBNR	2.70%	3.65%
- other	2.70%	3.65%
Claim handling expenses	8.50%	8.50%
Risk margin		
- reported claims	6.00%	6.00%
- IBNR claims	25.00%	25.00%

The significant assumptions underpinning the asbestos related disease IBNR are that the propensity to claim and the basis for compensating claims remain similar to the current situation, specifically:

- the number of diagnosed incidents of asbestos related disease continues to develop in line with past trends
- the proportion of incidents compensated by the funds remains similar to current levels but with an allowance for an increase in the proportion of claims which revert to the SRF from uninsured and insolvent employers
- there are no additional failures of insurance companies.

(e) Sensitivity to changes in key assumptions - SRF and IAF

The key sensitivity for the SRF and the IAF is in relation to the ultimate value of the IBNR for asbestos related claims.

(f) Mining and Quarrying Industries Fund – Silicosis liability

The 30 June 2016 triennial valuation undertaken by Finity Consulting Pty Ltd estimated the extent of the existing and prospective liabilities for the Silicosis Scheme under the repealed Act as being \$100,000.

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Notes to and forming part of the financial statements

30 June 2016

(g) Summary of Other Funds

	2016 \$'000	2015 \$'000
Statutory reserve fund	71,282	66,021
Insurance assistance fund	243	247
Mining and quarrying industries fund	100	100
Net Liability for outstanding claims	71,625	66,368
Current liability for outstanding claims	2,249	1,797
Non-current liability for outstanding claims	69,376	64,571
Total liability for outstanding claims	71,625	66,368
Change in liability for outstanding claims	5,257	(18,925)
Change in liability for net outstanding claims	5,257	(18,925)

Note 12 Ombudsman, tribunal and panel fees

	2016 \$'000	2015 \$'000
South Australian Employment Tribunal/Workers Compensation Tribunal	9,170	5,831
Ombudsman	529	706
Medical Panels SA	466	2,579
Ombudsman, tribunal and panel fees	10,165	9,116

Note 13 General operating expenses

	Notes	2016 \$'000	2015 \$'000
Employee benefits	14	33,429	36,017
Depreciation		1,622	1,583
Amortisation		4,388	4,388
Expenses relating to operating leases		2,534	2,494
Loss on disposal of non-current assets		-	36
Other operating costs		24,519	26,315
Total general operating expenses		66,492	70,833

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The number and dollar amount of consultancies paid / payable (included in Return to Work Fund and general operating expenses) that fell within the following bands:

	No.	2016 \$'000	No.	2015 \$'000
Below \$10,000	3	15	5	29
Above \$10,000	19	2,362	21	2,939
Total paid/payable to the consultants engaged	22	2,377	26	2,968

Note 14 Employee benefits

	Notes	2016 \$'000	2015 \$'000
Salaries and wages		28,434	30,875
Long service leave		901	774
Annual leave		430	515
Skills and experience retention leave		53	31
Expenses relating to defined benefit plans			
-service cost	14(e)	173	195
-interest cost	14(e)	891	1,002
Contributions to defined contribution plans		2,547	2,625
Total employee benefits expenses		33,429	36,017

The number of employees whose remuneration received or receivable falls within the following bands:

	2016	2015
\$141,500 to \$145,000*	-	4
\$145,001 to \$155,000	6	3
\$155,001 to \$165,000	6	2
\$165,001 to \$175,000	1	5
\$175,001 to \$185,000	7	4
\$185,001 to \$195,000	1	1
\$195,001 to \$205,000	1	1
\$205,001 to \$215,000	2	-
\$215,001 to \$225,000	-	2
\$225,001 to \$235,000	2	4
\$235,001 to \$245,000	3	2
\$265,001 to \$275,000	2	-
\$305,001 to \$315,000	-	1
\$325,001 to \$335,000	-	1
\$335,001 to \$345,000	1	-
\$355,001 to \$365,000	-	1
\$365,001 to \$375,000	1	1
\$385,001 to \$395,000	1	-
\$535,001 to \$545,000	-	1
\$625,001 to \$635,000	1	-
Total	35	33

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The table includes all employees who received Normal Remuneration equal to or greater than the base executive remuneration level during the year. The remuneration amounts shown above include all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, any fringe benefits tax paid, or payable in respect of those benefits, and payments of accumulated annual leave, long service leave, superannuation and eligible termination payments, in respect of certain employees whose employment terminated in the financial year. The total remuneration received by these employees for the year was \$7.5 million (2015: \$7.0 million).

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2014-15.

(a) Liability for employee benefits

	2016	2015
	\$'000	\$'000
Current		
Annual leave	1,944	1,975
Skills and experience retention leave	87	85
Recognised liability for defined benefit obligations	1,512	1,452
Long service leave	3,029	3,327
	6,572	6,839
Non-current		
Recognised liability for defined benefit obligations	12,882	9,689
Long service leave	1,758	1,066
	14,640	10,755
Total employee benefits	21,212	17,594

Employee benefits - long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of the long service leave provision is classified as current as RTWSA does not have an unconditional right to defer the settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after ten years of service.

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(b) Movement in net liability for defined benefit obligations

	2016 \$'000	2015 \$'000
Balance at 1 July	(11,141)	(10,253)
Included in result from operating activities		
Service cost	(173)	(195)
Net interest	(354)	(404)
	(527)	(599)
Included in other comprehensive income		
Re-measurements gain:		
- Actuarial (losses) / gain	(3,579)	(1,781)
- Actual return on assets less interest income	165	937
	(3,414)	(844)
Other		
Employer contributions	688	555
	688	555
Balance at 30 June	(14,394)	(11,141)

(c) Net liability for defined benefit obligations

	2016 \$'000	2015 \$'000
Amounts reflected in the Statement of Financial Position		
Assets	16,145	15,821
Liabilities	(30,539)	(26,962)
Net liability	(14,394)	(11,141)

(d) Reconciliation of the fair value of the defined benefit plan assets

	2016 \$'000	2015 \$'000
Opening fair value of defined benefit plan assets	15,821	15,573
Interest income	537	598
Actual return on assets less interest income	165	937
Employer contributions	687	555
Benefits and expenses paid	(1,065)	(1,842)
Closing fair value of defined benefit plan assets	16,145	15,821

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(e) Reconciliation of the present value of the defined benefit obligation

	2016	2015
	\$'000	\$'000
Opening present value of defined benefit obligations	26,962	25,826
Current service cost	173	195
Interest cost	891	1,002
Actuarial (gains) / losses:		
• Impact of changes in demographic assumptions	-	-
• Impact of changes in financial assumptions	3,887	1,867
• Experience items	(309)	(86)
Benefits and expenses paid	(1,065)	(1,842)
Closing present value of defined benefit obligations	30,539	26,962

Employee benefits - defined benefits superannuation plan

RTWSA contributes to two defined benefit superannuation plans.

RTWSA's net obligation is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value from which the fair value of any plan assets is deducted. The discount rate is the yield at the reporting period on government bonds that have maturity dates approximating to the terms of RTWSA's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Under AASB 119, RTWSA determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contributions and benefit payments.

Employees who participate in the defined benefit superannuation fund are deemed to be members of the defined benefit categories of the State Superannuation Scheme. The defined benefit superannuation fund has been closed to new members since May 1994.

The State Superannuation Scheme's assets are under Funds SA's management and invested in its Growth Sector Fund. The Growth Sector Fund was created on 1 April 2005. The net market value of individual assets or portfolios that comprise the Growth Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Funds SA uses external fund managers to manage its growth portfolio. The investments are in wholesale pooled unit trusts or managed funds offered by each manager.

RTWSA expects to contribute \$575,298 to the defined benefit plans in the 2016-17 financial year.

(f) Each major asset category as a percentage of the fair value of the total plan assets

	2016	2016	2015	2015
	Active Market %	Non-active Market %	Active Market %	Non-active Market %
Australian equities	24.0	0.0	24.0	0.0
International equities	24.1	0.0	25.5	0.0
Property	2.5	11.8	2.6	11.8
Diversified strategies growth	0.8	10.2	0.7	9.0
Diversified strategies income	15.7	0.0	13.8	0.0
Inflation linked securities	0.0	5.7	0.0	7.3
Long term fixed interest	2.8	0.0	2.0	0.0
Short term fixed interest	0.0	0.0	0.0	0.0
Cash	2.4	0.0	3.3	0.0
Total	72.3	27.7	71.9	28.1

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(g) Major economic assumptions

	2016	2015
Discount rate	2.3%	3.4%
Long term salary rate increases	4.0%	4.0%
Long term CPI increases	2.5%	2.5%

(h) Sensitivity analysis

Scenario	Base Case	Discount rate plus 0.5%	Discount rate less 0.5%	Salary increase rate plus 0.5%	Salary increase rate less 0.5%	Pension increase rate plus 0.5%	Pension increase rate less 0.5%
Present value of defined benefit obligation (\$'000)	30,539	-	-	-	-	-	-
Change in defined benefit obligation (\$'000)	-	28,662	32,627	30,680	30,405	32,473	28,789
Change in defined benefit obligation	-	(6.1%)	6.8%	0.5%	(0.4%)	6.3%	(5.7%)

(i) Maturity profile

The weighted average duration of the defined benefit obligation is 15.5 years (2015 16.1 years). The expected maturity analysis of undiscounted benefit obligations is as follows:

	Less than 1 year \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Between 5-10 years \$'000	Between 10-15 years \$'000	Between 15-20 years \$'000	Between 20-25 years \$'000	Over 25 Years \$'000	Total \$'000
Defined benefit obligation 2016	1,512	1,788	4,676	8,063	7,457	6,184	5,293	8,938	43,911
Defined benefit obligation 2015	1,452	1,471	4,742	7,972	7,630	6,593	5,508	10,039	45,407

Note 15 Cash and cash equivalents

	Notes	2016 \$'000	2015 \$'000
Cash		3	3
Cash equivalents	24	82,012	180,861
Cash and cash equivalents in the Statement of Cash Flows		82,015	180,864

Cash and cash equivalents in the Statement of Cash Flows includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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Note 16 Trade and other receivables

		2016 \$'000	2015 \$'000
	Notes		
Current receivables			
Trade receivables		11,740	15,856
Less allowance for doubtful debts		(8,500)	(8,500)
		3,240	7,356
Refunds		(6,500)	(5,200)
Recoverable claim payments	10	11,378	14,656
Sundry debtors and prepayments		579	233
Total current receivables		8,697	17,045
Non-current receivables			
Recoverable claim payments	10	69,503	52,340
Total non-current receivables		69,503	52,340
Total trade and other receivables		78,200	69,385

Movement in the allowance for doubtful debts

Opening balance		(8,500)	(11,500)
Amounts written off		3,600	8,788
Increase in allowance recognised		(3,600)	(5,788)
Total current receivables		(8,500)	(8,500)

Trade and other receivables are stated at fair value less impairment losses with the exception of claims recoveries receivable. Fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Claim recoveries receivables are stated at the amounts estimated in the actuarial valuation.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that RTWSA will not be able to collect the debt. Bad debts are written off when identified.

Note 17 Investments

	2016 \$'000	2015 \$'000
Deposits with financial institutions	376,762	548,080
Government / semi-government securities	536,587	499,316
Non-government debt instruments	450,899	416,054
Securities listed on the Australian Stock Exchange	306,237	315,147
Securities listed on overseas stock exchanges	778,068	847,716
Unit Trusts – unlisted property and debt security assets	287,154	236,727
Derivatives	13,969	118
Total investments	2,749,676	2,863,158
Current	469,342	548,138
Non-current	2,280,334	2,315,020
Total investments	2,749,676	2,863,158

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Investments are measured at fair value. Changes in the fair values of investments at the reporting period from the end of the previous reporting period, or from cost of acquisition if acquired during the financial year, are recognised as gains or losses in the Statement of Comprehensive Income.

The fair value of investments represents their net fair value and is determined as follows:

- cash assets are carried at the face value of the amounts deposited or drawn which approximates their fair value
- receivables are initially recognised at fair value and subsequently at amortised cost less impairment losses
- listed securities and Government securities are valued by reference to market quotations
- underlying property assets and investments in unlisted unit trusts are valued by reference to independent third parties.

All investments are classified as backing insurance liabilities (outstanding claims liabilities).

Note 18 Property, plant and equipment

	Leasehold improvements including office furniture and fittings \$'000	Computer and communications equipment \$'000	General office equipment \$'000	Total \$'000
Fair value				
Balance at 1 July 2014	7,340	3,007	206	10,553
Additions	-	556	-	556
Disposals	-	(355)	-	(355)
Balance at 30 June 2015	7,340	3,208	206	10,754
Balance at 1 July 2015	7,340	3,208	206	10,754
Additions	-	558	-	558
Disposals	-	(142)	-	(142)
Balance at 30 June 2016	7,340	3,624	206	11,170
Depreciation				
Balance at 1 July 2014	(1,628)	(938)	(84)	(2,650)
Depreciation charge	(798)	(744)	(41)	(1,583)
Disposals	-	314	-	314
Balance at 30 June 2015	(2,426)	(1,368)	(125)	(3,919)
Balance at 1 July 2015	(2,426)	(1,368)	(125)	(3,919)
Depreciation charge	(793)	(788)	(41)	(1,622)
Disposals	-	142	-	142
Balance at 30 June 2016	(3,219)	(2,014)	(166)	(5,399)
Carrying Amounts				
At 30 June 2015	4,914	1,840	81	6,835
At 30 June 2016	4,121	1,610	40	5,771

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All assets acquired, including leasehold improvements, computer and communications and general office equipment are stated at cost less accumulated depreciation and accumulated impairment losses, deemed to be fair value.

Refer to Note 20 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements.

Depreciation is calculated on a straight line basis so as to write off the cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

	2016	2015
Leasehold improvements including office furniture and fittings	5-10	5-10
Computer and communications	4-5	4-5
General office equipment	4-5	4-5

The cost of improvements to leasehold properties is amortised over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Note 19 Intangible assets

	IT development and software \$'000
Cost	
Balance at 1 July 2014	43,880
Balance at 30 June 2015	43,880
Balance at 30 June 2016	43,880
Amortisation	
Balance at 1 July 2014	(18,345)
Amortisation charge	(4,388)
Balance at 30 June 2015	(22,733)
Balance at 1 July 2015	(22,733)
Amortisation charge	(4,388)
Balance at 30 June 2016	(27,121)
Carrying Amounts	
At 30 June 2015	21,147
At 30 June 2016	16,759

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Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised can include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the project.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where RTWSA has an intention and ability to use the asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible assets, from the date that they are available for use. The estimated useful life is five to ten years.

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Note 20 Fair value measurement (non-financial assets)

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Fair value of non-financial assets, which must be estimated for recognition or for disclosure purposes, is measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

RTWSA had no valuations categorised into levels 1 or 2.

In determining fair value the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible) has been taken into account.

Current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As no factors were identified to suggest an alternative use, fair value measurement was based on current use.

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Fair values level 3 measurements and reconciliations

	Leasehold improvements including office furniture and fittings \$'000	Computer and communications equipment \$'000	General office equipment \$'000	Total \$'000
Balance at 1 July 2014	5,712	2,069	122	7,903
Acquisitions	-	556	-	556
Depreciation	(798)	(744)	(41)	(1,583)
Disposals	-	(41)	-	(41)
Balance at 30 June 2015	4,914	1,840	81	6,835
Balance at 1 July 2015	4,914	1,840	81	6,835
Acquisitions	-	558	-	558
Depreciation	(793)	(788)	(41)	(1,622)
Disposals	-	-	-	-
Balance at 30 June 2016	4,121	1,610	40	5,771

Total gains / (losses) for level 3 non-financial assets in the period included
in general operating expenses:

	\$'000
2015	(1,619)
2016	(1,622)

Note 21 Trade and other payables

	2016 \$'000	2015 \$'000
Current		
Trade payables	19,939	50,566
Unearned premiums	378	391
Employment on-costs	903	745
Non-current		
Trade payables	1,329	2,058
Employment on-costs	124	99
Total trade and other payables	22,673	53,859

Trade and other payables are stated at cost. These amounts represent liabilities for goods and services provided to RTWSA prior to the end of the financial year and which are unpaid. These amounts are unsecured and usually paid within 30 days of recognition.

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Note 22 Provisions

	2016 \$'000	2015 \$'000
Balance at the start of the year	1,715	754
Provisions made/(written back) during the year	(369)	1,715
Provisions used during the year	(710)	(754)
Balance at the end of the year	636	1,715

Provisions are recognised when RTWSA has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

The provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2016. The redundancy provision is calculated in accordance with the RTWSA Award 2015 and RTWSA Enterprise Agreement 2015. RTWSA expects to extinguish the liability within the next 12 months.

Note 23 Reconciliation of comprehensive result to net cash flows from operating activities

	2016 \$'000	2015 \$'000
Total comprehensive result	(44,400)	1,501,316
Depreciation	1,622	1,583
Amortisation	4,388	4,388
Net loss on disposal of non-current assets	-	36
Investment (profit) / loss	(127,249)	(228,023)
Dividends received	45,182	52,894
Interest received	38,998	43,705
Increase / (decrease) in creditors	(31,130)	19,646
(Increase) / decrease in receivables	(8,815)	18,185
Increase / (decrease) in outstanding claims liability	(37,072)	(1,329,985)
Increase / (decrease) in provisions	(1,079)	961
Increase / (decrease) in employee benefits	3,618	1,110
Net cash flows from operating activities	(155,937)	85,816

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Note 24 Risk management

(a) Overview

RTWSA's risk management framework is the principal means by which identified risks are managed. RTWSA has developed a corporate governance framework that supports risk management. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage RTWSA's exposure to risk. The key aspects of the process established in the risk management framework to mitigate risk include:

- the establishment of a Board Audit and Risk Committee, which is responsible for developing and monitoring risk management policies
- the establishment of the Risk Appetite Statement which is reviewed annually
- the establishment and regular review by the Board and management of a corporate risk register
- the establishment of a system of internal controls to manage risk
- the maintenance and use of management information systems which provide up to date, reliable data relevant to the risks to which the business is exposed
- the identification of operational risks and the establishment and implementation of processes to address and mitigate those risks.

The Board Audit and Risk Committee reports regularly to the Board on its activities. The Committee oversees how management monitors compliance with RTWSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by RTWSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by RTWSA. RTWSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in RTWSA's activities. RTWSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

The broad categories of risk faced by RTWSA are:

- insurance risk
- operational risk
- financial risk.

(b) Insurance risk

As set out in Note 1, RTWSA provides workers compensation coverage, in accordance with the Act, to workers employed in South Australia through the following funds:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

In accordance with the Act the Compensation Fund is funded by charging premiums to all employers covered by the Act which are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or premium rate applicable to each employer is determined annually based on the industry in which the employer operates and the Average Premium Rate. Small employers, with annual remuneration less than \$12,286 (subject to indexation), are not required to register or pay a premium.

The Average Premium Rate is set annually by the Board in accordance with its funding and pricing policy based on an actuarial assessment of the expected claims and expenses of the Compensation Fund and an estimate of the likely overall remuneration for all the employers that are required to pay premiums under the Act. The Average Premium Rate is then used as a basis for determining an individual premium rate for individual industry groups.

The risk of setting incorrect premium rates is controlled by taking external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models. The number of registered (non self-insured) employers insured under the Act for the financial year was approximately 50,000. The entitlements payable to injured workers are determined by the Act.

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RTWSA's approach to determining the outstanding claims provisions and related sensitivities is set out in Notes 4, 10 and 11. RTWSA relies on the following key controls in seeking to ensure the adequacy of the claims provision:

- there are established processes for managing claims in accordance with the Act and other relevant legislation
- the claims provision is reviewed by an external actuary as follows:
 - Compensation Fund – every six months
 - Statutory Reserve Fund (excluding IBNR arising from asbestos related matters) – every twelve months
 - Insurance Assistance Fund (excluding IBNR arising from asbestos related matters) – every twelve months
 - IBNR arising from asbestos related matters – every twelve months with a more detailed review every two years
 - Mining and Quarrying Industries Fund – every three years.

(c) Operational risk

Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to insurance or financial risks. These risks are managed through the risk framework outlined above which includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

(d) Financial risk

RTWSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

RTWSA's exposure to these risks arises primarily in relation to its investment portfolio but also in relation to its other financial assets. This note presents information about RTWSA's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements

Investments – risk management framework

RTWSA's Investment Policy and Strategy document describes the framework within which the RTWSA investment program functions, including the Board's governance arrangements for the investment program.

The mission of the investment program is to contribute to an improved funding position for the Scheme. The investment program will achieve this by delivering, over the long term, a rate of return that exceeds the average actuarial discount rate.

The current long term return objective for the investment program is a return of CPI + 3.5%. This will be achieved through adopting a moderate risk, balanced investment portfolio.

The formal investment policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances.

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

The Board Investment and Finance Committee monitors the investment program on a regular basis.

RTWSA has a master custody arrangement with National Australia Bank (NAB). All assets are held by NAB under safe custody, except for the internally managed cash.

At any particular time the composition of the portfolio will vary from the Board approved investment strategy targets depending on the decisions of individual fund managers and market movements. However any variance to the target is required to be within Board approved limits.

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The composition of each asset group at 30 June 2016 was:

	Deposits With Financial Institutions \$'000	Government / semi – Government Securities \$'000	Non- Government Debt Instruments \$'000	Securities listed on the Australian stock exchange \$'000	Securities listed on overseas stock exchanges \$'000	Unit Trust – Unlisted Property and Private Debt Assets \$'000	Derivatives \$'000	Total \$'000
Cash	82,012	-	-	-	-	-	-	82,012
Fixed interest	10,932	235,677	119,070	-	-	-	260	365,939
Inflation Linked Securities	223,693	282,142	62,733	-	-	-	32	568,600
Australian Equities	8,879	-	-	290,801	-	-	865	300,545
Overseas Equities – hedged	-	-	-	-	204,390	-	7,488	211,878
Overseas Equities – unhedged	-	-	-	-	330,403	-	-	330,403
Property & Infrastructure	4,440	-	-	15,436	243,275	287,154	5,062	555,367
Alternative Income	46,806	18,768	269,096	-	-	-	262	334,932
	376,762	536,587	450,899	306,237	778,068	287,154	13,969	2,749,676

The composition of each asset group at 30 June 2015 was:

	Deposits With Financial Institutions \$'000	Government / semi – Government Securities \$'000	Non- Government Debt Instruments \$'000	Securities listed on the Australian stock exchange \$'000	Securities listed on overseas stock exchanges \$'000	Unit Trust – Unlisted Property and Private Debt Assets \$'000	Derivatives \$'000	Total \$'000
Cash	180,861	-	-	-	-	-	-	180,861
Fixed interest	35,439	209,434	96,979	-	-	-	60	341,912
Inflation Linked Securities	268,180	278,339	66,673	-	-	-	-	613,192
Australian Equities	4,294	-	-	299,204	3,468	-	1,241	308,207
Overseas Equities – hedged	-	-	-	-	218,705	-	-	218,705
Overseas Equities – unhedged	-	-	-	-	347,671	-	-	347,671
Property & Infrastructure	4,519	-	-	15,943	277,872	236,727	(541)	534,520
Alternative Income	54,787	11,543	252,402	-	-	-	(642)	318,090
	548,080	499,316	416,054	315,147	847,716	236,727	118	2,863,158

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Use of derivatives

In the normal course of its investment activities RTWSA is party to arrangements involving derivatives. Derivatives held within portfolios through RTWSA's custodian have three main objectives:

- risk management – minimisation or reduction of specific risks within a given portfolio. For example forward exchange contracts are used to hedge currency movements to remove their impact on international investment portfolio returns
- transactional efficiency – derivatives provide effective exposure to markets or individual securities while incurring transaction costs lower than the cost of purchasing the underlying security or basket of securities. In many instances the derivative markets provide much more liquidity than the underlying physical market
- value added strategies – given their low cost and high liquidity, derivatives can be an efficient way of taking active portfolio positions. As there can also be pricing anomalies between derivatives and underlying physical securities there can be opportunities to take advantage of different pricing.

Derivative exposures are subject to the same restrictions as physical assets within each portfolio's investment guidelines. Derivatives also need to comply with the fund managers risk management policies and RTWSA's Derivatives Policy. Where there is inconsistency, the Fund Manager Guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit trusts in which RTWSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the Unit Trusts in which RTWSA invests is approved and monitored by the responsible entity or trustee for the respective Unit Trust.

No single instrument is individually material to the future cash flows of RTWSA. RTWSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. RTWSA, through its separate account investment portfolios, uses derivative instruments as follows:

Forward exchange contracts

- RTWSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for a portion of overseas exposures, RTWSA has entered into forward exchange contracts, which require settlement of the net gain or loss at maturity. For diversification purposes RTWSA intentionally maintains some un-hedged currency exposures
- the gain or loss on open contracts as at the reporting period has been taken up in the financial statements as an unrealised gain or loss based on the exchange rate current as at the end of the reporting period
- the use of forward exchange contracts for speculative purposes is prohibited.

Credit risk - investments

Credit risk is the risk of financial loss to RTWSA if a premium payer, other debtor or counterparty to a financial instrument fails to meet their contractual obligations.

RTWSA manages its exposure to credit risk related to fixed interest and cash investments through its Investment Strategy and Investment Guidelines and Investment Credit Limits documents. Credit exposures are monitored against approved limits with breaches corrected and notified to the Board Investment and Finance Committee.

The following tables outline RTWSA's credit risk exposure within the major debt securities asset classes as at balance date.

As at 30 June 2016:

	Short-term issue ratings*					Long-term issue ratings**			Not rated***	
	A1+	A1	A2	AAA	AA	A	BBB	BB/B		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	71,962	5,006	5,044	-	-	-	-	-	-	82,012
Fixed interest	10,932	-	-	252,078	73,958	21,843	6,868	-	260	365,939
Inflation linked securities	199,640	24,053	-	287,585	15,953	29,876	11,493	-	-	568,600
Alternative income	46,806	-	-	23,180	43,308	99,776	110,628	6,733	4,501	334,932
	329,340	29,059	5,044	562,843	133,219	151,495	128,989	6,733	4,761	1,351,483

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As at 30 June 2015:

	Short-term issue ratings*				Long-term issue ratings**				Not rated***	
	A1+	A1	A2	AAA	AA	A	BBB	BB/B		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	171,851	9,010	-	-	-	-	-	-	-	180,861
Fixed interest	35,439	-	-	219,970	62,330	20,077	4,036	-	60	341,912
Inflation linked securities	248,135	20,045	-	286,653	21,770	23,794	12,795	-	-	613,192
Alternative income	54,786	-	-	35,143	28,448	93,994	89,413	7,594	8,712	318,090
	510,211	29,055	-	541,766	112,548	137,865	106,244	7,594	8,772	1,454,055

* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating.

** Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating.

*** Not rated assets for this table are non- defensive assets and consist of cash or investments in a pooled fund which is benchmarked against the UBS Composite Index.

Credit risk - other financial assets

The only significant exposure to credit risk in relation to assets, other than investments, relates to trade receivables which include premiums due and payable from registered and self-insured employers and overpayment recoveries from employers, workers and providers. RTWSA is able to enforce the collection of debts due, under the Act or via restitution principles through a court of competent jurisdiction. RTWSA has processes in place to monitor all material credit exposures and has an established policy to manage debt recovery.

34.8% of RTWSA's trade receivables were past due greater than 30 days (2015: 33.6%). The ageing of RTWSA's trade receivables at the reporting date was:

	2016	2015
	\$'000	\$'000
Not past due	2,940	4,758
Past due 1-30 days	1,176	1,404
Past due 31-60 days	321	1,213
Past due 61 days to one year	1,878	1,900
Impaired	-	-
	6,315	9,275

There were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises from the possibility that RTWSA will not be able to meet its financial obligations as they fall due. RTWSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to RTWSA's reputation. At least 20% of RTWSA's investments could be liquidated within seven business days if required.

Both the asset and liability liquidity risks are managed through management risk strategies. 81.7% (2015: 77.4%) of RTWSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. RTWSA's asset allocation is such that if required it could be realisable as cash within a few months. Accordingly RTWSA considers that its short-term liquidity risks are minimal.

The table below outlines the maturity profile of certain financial liabilities based on the remaining undiscounted obligations. The maturity profiles of outstanding claims are outlined in notes 10 and 11.

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As at 30 June 2016:

	1 year or less \$'000	1 to 3 years \$'000	3-5 years \$'000	Over 5 Years \$'000	No term \$'000	Total \$'000
Trade and other payables	21,220	1,453	-	-	-	22,674

As at 30 June 2015:

	1 year or less \$'000	1 to 3 years \$'000	3-5 years \$'000	Over 5 Years \$'000	No term \$'000	Total \$'000
Trade and other payables	51,702	2,157	-	-	-	53,859

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect RTWSA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

RTWSA is exposed to market risk primarily through:

- currency risk
- interest rate risk
- market price risk.

Currency risk

RTWSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. RTWSA uses forward exchange contracts for a portion of its international investments to hedge its exposure to foreign currency fluctuations. All overseas bond securities, overseas listed property and overseas infrastructure are covered by forward exchange contracts. Approximately 40% of the international equity securities are covered by forward exchange contracts, whilst remaining equities are left intentionally exposed to exchange rate movements. The changes in the valuations of these open contracts are disclosed in the financial statements as unrealised gains or losses as at the reporting period.

The analysis below demonstrates the impact on profit and equity of a movement in foreign exchange rates against the Australian dollar on our material un-hedged major currency exposures. This analysis is based on foreign currency exchange rate variances that RTWSA considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

	Residual exposure at 30 June 2016 \$'000	Residual exposure at 30 June 2015 \$'000	Movement in variable against A\$	2016 Profit (loss) \$'000	2016 Equity \$'000	2015 Profit (loss) \$'000	2015 Equity \$'000
US Dollar	160,244	161,087	+10%	(16,024)	(16,024)	(16,109)	(16,109)
			-10%	16,024	16,024	16,109	16,109
Euro	30,614	34,314	+10%	(3,061)	(3,061)	(3,431)	(3,431)
			-10%	3,061	3,061	3,431	3,431
Sterling	18,482	21,279	+10%	(1,848)	(1,848)	(2,128)	(2,128)
			-10%	1,848	1,848	2,128	2,128
JPY	22,533	23,829	+10%	(2,253)	(2,253)	(2,383)	(2,383)
			-10%	2,253	2,253	2,383	2,383
Other	101,899	107,162	+10%	(10,189)	(10,189)	(10,716)	(10,716)
			-10%	10,189	10,189	10,716	10,716

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest securities are exposed to changes in fair value due to fluctuating interest rates whilst floating rate securities are exposed to future cash flow variations as a result of changes to interest rates. The risk management approach adopted by RTWSA to manage such risks is through its asset allocation whereby a mixture of high credit rated and readily liquidated fixed interest securities are held in conjunction with short-term deposits and cash to achieve the desired level of interest rate risk exposure.

RTWSA's fixed interest investments are held predominately in domestic markets. Such holdings form part of RTWSA's defensive or low risk exposure to provide capital stability and secure income. RTWSA's investments in interest bearing securities consist of marketable securities which are not held for trading.

RTWSA's sensitivity to movements in interest rates in relation to the value of interest bearing investments is shown in the table below. This analysis is based on interest rate variances that RTWSA considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Movement in interest rate	2016 Profit (loss) \$'000	2016 Equity \$'000	2015 Profit (loss) \$'000	2015 Equity \$'000
Interest rate movement – interest bearing investments	+1%	(46,567)	(46,567)	(40,864)	(40,864)
	-1%	46,567	46,567	40,864	40,864

Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market pricing (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual instrument or its issuer (idiosyncratic risk), or factors affecting all similar financial instruments traded in the market (systematic risk).

RTWSA is exposed to market price risk in all asset groups with the highest systematic risk in listed securities. These investments consist of investments listed on the Australian Stock Exchange and other major international exchanges (excluding listed debt). The market price risk in all other asset groups is considered less significant.

RTWSA manages its exposure to market price risk through the adoption of a longer-term investment strategy based on extensive modelling of the expected return, volatility and correlation of each asset category included in the investment program to maximise returns for a given level of risk. By diversifying investments across a number of lowly correlated markets the volatility of the aggregate investment return is moderated over time.

The potential impact of movements in the market value of Australian and overseas listed equities asset groups on RTWSA's Statement of Comprehensive Income and Statement of Financial Position is shown in the sensitivity analysis below. The calculation excludes the impact from currency risk. Industry standard categorisations have been adopted for RTWSA's equity exposures.

Listed Securities	Exposure at 30 June 2016 \$'000	Exposure at 30 June 2015 \$'000	Movement in variable	2016 Profit (loss) \$'000	2016 Equity \$'000	2015 Profit (loss) \$'000	2015 Equity \$'000
Domestic equities	290,801	299,204	+20%	58,160	58,160	59,841	59,841
			-20%	(58,160)	(58,160)	(59,841)	(59,841)
International equities	542,279	566,376	+20%	108,456	108,456	113,275	113,275
			-20%	(108,456)	(108,456)	(113,275)	(113,275)
Listed property	110,136	118,020	+20%	22,027	22,027	23,604	23,604
			-20%	(22,027)	(22,027)	(23,604)	(23,604)
Listed infrastructure	158,076	179,773	+20%	31,615	31,615	35,955	35,955
			-20%	(31,615)	(31,615)	(35,955)	(35,955)

ReturnToWorkSA

Notes to and forming part of the financial statements

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Fair value measurements

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs)

The following tables present RTWSA's investments measured and recognised at fair value. There have been no transfers between levels during the period.

At 30 June 2016:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Deposits with financial institutions	376,762	-	-	376,762
Government / semi-government securities	536,587	-	-	536,587
Non-government debt instruments	450,899	-	-	450,899
Securities listed on the Australian Stock Exchange	306,237	-	-	306,237
Securities listed on overseas stock exchanges	778,068	-	-	778,068
Unit Trusts – unlisted property and debt security assets	-	235,605	51,549	287,154
Derivatives	-	13,969	-	13,969
Total investments at fair value through profit and loss	2,448,553	249,574	51,549	2,749,676

At 30 June 2015:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Deposits with financial institutions	548,080	-	-	548,080
Government / semi-government securities	499,316	-	-	499,316
Non-government debt instruments	416,054	-	-	416,054
Securities listed on the Australian Stock Exchange	315,147	-	-	315,147
Securities listed on overseas stock exchanges	847,716	-	-	847,716
Unit Trusts – unlisted property and debt security assets	-	208,404	28,323	236,727
Derivatives	-	118	-	118
Total investments at fair value through profit and loss	2,626,313	208,522	28,323	2,863,158

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by RTWSA is the current bid price. These instruments are included in level 1.

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Notes to and forming part of the financial statements

30 June 2016

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities.

The following table presents the changes in level 3 instruments for the years ended 30 June 2016 and 2015:

	Unit Trusts – unlisted property and debt security \$'000
Opening balance at 1 July 2014	33,696
Contributions	190
Withdrawals	(5,836)
Gains / (losses) recognised in investment profit	273
Closing balance at 30 June 2015	28,323

	Unit Trusts – unlisted property and debt security \$'000
Opening balance at 1 July 2015	28,323
Contributions	20,488
Withdrawals	-
Gains / (losses) recognised in investment profit	2,738
Closing balance at 30 June 2016	51,549

Total unrealised gains / (losses) for level 3 investments in the period included in investment profit:	\$'000
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2015	273
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2016	2,738
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The fair value of level 3 financial instruments is valued by an independent third party with the appropriate skills, experience and resources.

ReturnToWorkSA

Notes to and forming part of the financial statements

30 June 2016

Note 25 Auditors remuneration

	2016	2015
	\$'000	\$'000
Audit fees – Auditor General's Department	395	446

Other Services - No other services were provided by the Auditor General's Department.

Auditor's remuneration costs are included within other operating costs, refer Note 13.

(Note \$446,000 was disclosed as payable in 2015. The amount invoiced and paid was \$406,000)

Note 26 Related parties transactions

Apart from the details disclosed in this note, no board member has entered into a contract with RTWSA.

Board members of RTWSA hold positions in organisations in which RTWSA invests, contracts or transacts in the ordinary course of business. The terms and conditions of those contracts and/or transactions with board member related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-board member related entities on an arm's length basis.

Board member related entities also pay premiums and self-insured fees. The terms and conditions are no more favourable than those applying to all South Australian employers.

Note 27 Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2015-16 financial year were:

Member	Appointed / Resigned	Board	Investment and Finance Committee	Audit and Risk Committee	Human Resources Committee
Ms. J Yuile		Chair	-	-	Member
Ms. J Denley		Member	-	Member	Chair
Dr. W Griggs		Member	Member	-	Member
Mr. C Latham		Member	Chair	-	-
Mr. P Malinauskas	Resigned 22 November 2015	Member	Member	-	Member
Mr. N McBride		Member	-	Member	-
Ms. Y Sneddon		Member	-	Chair	-
Mr. J Szakacs	Appointed 7 April 2016	Member	Member	-	-

The number of members whose remuneration received and receivable falls within the following bands:

	2016	2015
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	-	-
\$40,000 - \$49,999	-	-
\$50,000 - \$59,999	-	-
\$60,000 - \$69,999	5	6
\$70,000 - \$79,999	-	-
\$100,000 - \$109,999	1	1

The total remuneration received and receivable by board members was \$450,000 (2015: \$471,000) which includes superannuation contributions.

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30 June 2016

The Ministers Advisory Committee is established under the Return to Work Act 2014 and gives advice direct to the Minister. The members remuneration paid/payable was \$80,787 (\$13,000) in total for the year ending 30 June 2016. Members during the 2016 financial year were: M Atchison (presiding member), D Blairs, E Dabars, P Dean, S Hall, A Moeller, S Myatt, J Wilson. R.Cairney resigned on 6 November 2015. H Treloar was appointed on 28 April 2016.

Remuneration for this Committee is not included in the member remuneration table above.

Note 28 Commitments

RTWSA has entered into agreements to lease office accommodation and motor vehicles for terms in excess of one year. The aggregate non-cancellable lease commitments not provided for in the financial statements, were as follows:

	Other	Office	Motor	2016		Office	Motor	2015
	Leases	Vehicles	Total	Other	Leases	Vehicles	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within one year	-	2,409	179	2,588	337	2,317	275	2,929
Later than one year but not longer than five years	-	9,715	183	9,898	-	9,552	106	9,658
Later than five years	-	2,676	-	2,676	-	5,250	-	5,250
	-	14,800	362	15,162	337	17,119	381	17,837

A Memorandum of Understanding is in place between RTWSA and the Department of Planning, Transport and Infrastructure on behalf of the Minister for Transport and Infrastructure, regarding the lease of office space at 400 King William Street Adelaide.

RTWSA leases motor vehicles under non-cancellable operating leases expiring from between one to three years.

Other commitments relate to expenditure on research and initiatives that contribute to the improved return of injured workers to work. The amounts above represent known future funding commitments.

Note 29 Employer financial guarantees

Under section 129 of the Act, RTWSA administers financial guarantees lodged by self-insured employers. As at 30 June 2016, RTWSA held security to the value of \$384.8 million in financial guarantees or other approved substituted financial securities, for self-insured employers. These guarantees are held for the purpose of extinguishing the claim liabilities under the Act of the self-insured employer in the event of that employer no longer being able to meet these liabilities.

Under the terms of the retro paid loss contracts, RTWSA administers financial guarantees lodged by retro paid loss employers. As at 30 June 2016, RTWSA held security to the value of \$52.9 million in financial guarantees for retro paid loss employers. These guarantees are held for the purpose of extinguishing the premium liabilities under the terms of the retro paid loss contracts of the retro paid loss employer in the event of that employer no longer being able to meet these liabilities.

Note 30 Contingent liabilities

Contingent liabilities are disclosed when the possibility of a settlement is less than probable but more than remote.

The normal course of business may generate exposure to contingent liabilities in relation to claims litigation for the four RTWSA funds. The result of such litigation may result in a liability to RTWSA different to that recognised in the financial statements.

Provisions are made in outstanding claims for obligations that are probable and quantifiable.

There are no individually significant amounts not provided for or that are considered likely to have a material impact on net liabilities.

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Notes to and forming part of the financial statements

30 June 2016

Note 31 Transactions with SA Government

The table below details the transactions with SA Government departments and agencies for the financial years ending 30 June 2016 and 2015.

	2016 Revenue \$'000	2016 Expenses \$'000	2016 Assets \$'000	2016 Liabilities \$'000
SA Government	5,403	22,156	-	4,337
	2015 Revenue \$'000	2015 Expenses \$'000	2015 Assets \$'000	2015 Liabilities \$'000
SA Government	7,356	31,459	-	3,520

Transactions with SA Government entities below the threshold of \$100,000 have not been included.
2015 figures have been restated to reclassify superannuation payments as non-government expenses.

Administered items

The Work Health and Safety Act 2012 requires employers to register with Safework SA and make payments in the form of fees. The registration and collection of these fees is administered by RTWSA for SafeWork SA in conjunction with the registration of employers under the Act. RTWSA pays these funds to SafeWork SA whilst retaining a portion of the funds to cover administration costs.

RTWSA only recognises transactions from activities that it controls. It is considered that except for the portion of funds retained by RTWSA to cover administration costs, RTWSA does not control the funds that it collects on behalf of SafeWork SA. Therefore, RTWSA does not recognise the fees collected and subsequent payments made in relation to SafeWork SA in its Statement of Comprehensive Income or Statement of Financial Position.

Administered Items for the financial year ending 30 June 2016:

	2016 Revenue \$'000	2016 Expenses \$'000	2016 Assets \$'000	2016 Liabilities \$'000
Administered items	19,845	19,068	-	1,537

Administered Items for the financial year ending 30 June 2015:

	2015 Revenue \$'000	2015 Expenses \$'000	2015 Assets \$'000	2015 Liabilities \$'000
Administered items	7,957	7,660	-	760

Note 32 Events after the reporting period

There have been no events after the reporting period which would have a material effect on RTWSA's financial statements at 30 June 2016.

ReturnToWorkSA

Certificate under section 23(2) of the Public Finance and Audit Act 1987

In our opinion the attached general purpose financial statements for the Return to Work Corporation of South Australia:

- comply with relevant Treasurer's instructions issued under section 41 of the Public Finance and Audit Act 1987, and comply with relevant Australian accounting standards;
- are in accordance with the accounts and records of the Return to Work Corporation of South Australia; and
- present a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2016 and the results of its operation and cash flows for the financial year.

In our opinion the internal controls employed by the Return to Work Corporation of South Australia for the financial year over its financial reporting and the preparation of these general purpose financial statements have been sufficiently effective to enable the presentation of financial statements that are free of material misstatement.



J. Yuile
Chair



G. McCarthy
Chief Executive Officer



D. Quirk
Chief Financial Officer

12 September 2016

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chair of the Board of Management Return to Work Corporation of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *Return to Work Corporation of South Australia Act 1994*, I have audited the accompanying financial report of the Return to Work Corporation of South Australia for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes to and forming part of the financial statements
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

The Board of Management's responsibility for the financial report

The Board of Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Board of Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Return to Work Corporation of South Australia's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Inherent uncertainty – outstanding claims liability and funding ratio

Without qualification to the opinion expressed above, attention is drawn to notes 4, 10 and 11 of the financial report.

There is significant uncertainty surrounding the financial impact of legislative reforms which will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual costs of claims described in notes 10 and 11 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 7.



Andrew Richardson

Auditor-General

14 September 2016

Actuarial certificate outstanding claim liabilities



RETURN TO WORK CORPORATION OF SOUTH AUSTRALIA

Actuarial Certificate

Outstanding Claim Liabilities at 30 June 2016

Finity Consulting has been requested by the Return To Work Corporation (ReturnToWorkSA) to estimate the outstanding claim liabilities of the Return To Work Scheme under the Return To Work Act 2014 (the Act). We have also been requested to estimate the outstanding claim liabilities of ReturnToWorkSA's Statutory Reserve Fund (SRF) and Insurance Assistance Fund (IAF).

Data

We have relied on the accuracy and completeness of the data and other information (qualitative, quantitative, written and verbal) provided to us by ReturnToWorkSA for the purpose of making our estimates. We have not independently verified or audited the data but we have reviewed it for general reasonableness and consistency, including reconciliations to the previous actuarial review reports and to ReturnToWorkSA's financial statements. In our view there were no data deficiencies which would have a material effect on our estimates.

Basis of Our Estimates

We have calculated a central estimate of the outstanding claim liabilities, meaning that our assumptions have been selected to yield estimates which are not knowingly above or below the ultimate liabilities. Our estimates are discounted, i.e. they allow for the time value of money using risk free discount rates, they include allowance for future expenses incurred in the management of the outstanding claims and they are net of expected recoveries.

We have also provided a recommended provision for outstanding claims which increases the central estimate to a level intended to achieve a 65% probability of sufficiency, in accordance with ReturnToWorkSA policy.

Our estimates and reports have been prepared in accordance with the Actuaries Institute's Professional Standard 300 and with our understanding of the relevant Australian Accounting Standard AASB 1023.

Valuation Results and Provisions

Return To Work Scheme

The Scheme's outstanding claim liabilities are the value of payments to be made after 30 June 2016 in respect of claims which, under the provisions of the Act, arose on or before that date.

Our central estimate of the Scheme's outstanding claims liability for registered employers as at 30 June 2016 is \$2,176 million. ReturnToWorkSA has provided \$2,328 million in its financial statements as at 30 June 2016 for the net outstanding claim liabilities, having added to our net central estimate a risk margin of

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7.0% which is intended to increase the probability of adequacy of the provision to 65%. These amounts are made up as follows:

Table 1 – Outstanding Claim Liabilities at 30 June 2016 – Return To Work Scheme

	Central Estimate	Provision
	\$m	\$m
Gross Liability for Outstanding Claims		
<i>Serious Injuries</i>	1,408	
<i>Short Term Claims</i>	609	
<i>Claims Handling Expenses</i>	235	
Gross Liability	2,251	2,409
<i>Future Recoveries on Outstanding Claims</i>	-76	-81
Net Liability	2,176	2,328

Other Funds

The SRF and IAF liabilities relate to workers compensation claims arising from uninsured and insolvent employers (SRF), insolvent insurance companies (SRF) and employers which were unable to obtain insurance under the 1971 Act (IAF).

Our central estimate of ReturnToWorkSA's net outstanding claim liabilities for the SRF and IAF as at 30 June 2016 is \$58 million. Most of this liability is in respect of unreported (IBNR) asbestos-related disease claims, for which an actuarial valuation is carried out every two years; having reviewed the claims experience in 2015/16 we were satisfied with rolling forward the June 2015 valuation basis to 30 June 2016 for these claims.

ReturnToWorkSA has provided \$72 million in its financial statements as at 30 June 2016 for the net outstanding claim liabilities, having added to our net central estimate risk margins (25% for asbestos and other IBNR claims, 6% for known claims) which are intended to increase the probability of adequacy of the provision to 65%. These amounts are made up as follows:

Table 2 – Outstanding Claim Liabilities at 30 June 2016 – SRF and IAF

	Central Estimate	Provision
	\$m	\$m
Gross Liability for Outstanding Claims		
<i>Statutory Reserve Fund</i>	53	
<i>Insurance Assistance Fund</i>	0.2	
<i>Claims Handling Expenses</i>	5	
Gross Liability	58	72
<i>Future Recoveries on Outstanding Claims</i>	-	-
Net Liability	58	72

Uncertainty

It is not possible to put a value on outstanding claim liabilities with certainty. We have prepared our estimates on the basis that they represent our current assessment of the likely future experience of the Scheme and the other Funds. However, deviations of the actual experience from our estimates are normal and to be expected.

Sources of uncertainty include difficulties caused by limitations of historical information, as well as the fact that outcomes remain dependent on future events, including legislative, social and economic forces, and behaviour by stakeholders such as ReturnToWorkSA management, claimants and claims Agents. With the Return To Work Act provisions only commencing on 1 July 2015, and with key legal precedent still to emerge, there is still considerable uncertainty as to the performance of the Scheme under these provisions.

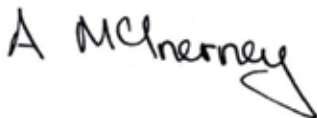
It is quite possible that one or more changes could produce a financial outcome materially different from our estimates.

In the case of asbestos-related disease liabilities in the SRF and IAF, additional sources of uncertainty are the extremely long-term nature of such claims, the risk of significant changes in the way in which claims are litigated and compensated by courts, and potential changes in the behaviour of claimants, defendants, legal principles, settlement practices and medical developments.

We have considered the range of uncertainties regarding the central estimates in deriving our recommended risk margins, which ReturnToWorkSA has adopted in its provisions.

Reports

Full details of the data, methodology, assumptions and results of our valuation are set out in our reports to ReturnToWorkSA dated 30 August 2016 (Scheme) and 29 July 2016 (SRF and IAF).



Andrew McNerney
(Scheme)
30 August 2016



David McNab
(SRF and IAF)
30 August 2016

Fellows of the Institute of Actuaries of Australia

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It is not intended that any opinion as to the meaning of legislation referred to is to be relied upon by readers. You should seek independent or legal advice as to any specific issues that are relevant to you, your workplace or organisation.

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