

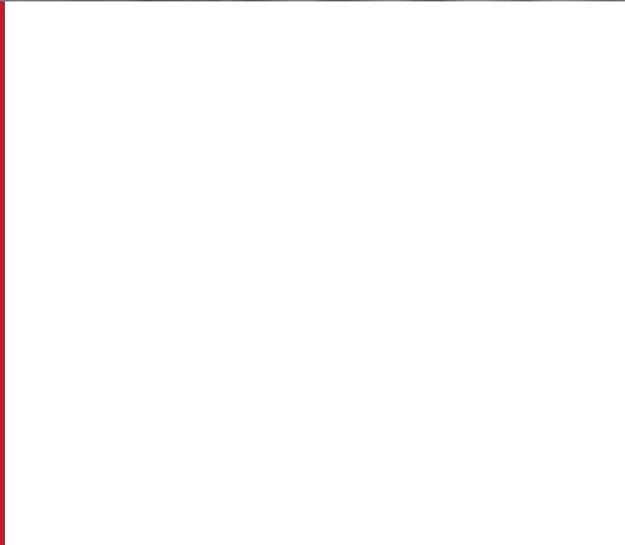
**Returnto  
WorkSA**

# **2021-22 ANNUAL REPORT**

South Australia's work  
injury insurance scheme.



Government  
of South Australia





# ABOUT THIS REPORT

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We are pleased to present the Annual Report for 2021–22.

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. The report meets our obligations under the *PC Circular 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 more about ReturnToWorkSA and the Return to Work scheme online, where this report and previous annual reports are available to download at [www.rtwsa.com](http://www.rtwsa.com).





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The background features a repeating pattern of stylized, rounded, S-shaped elements. Some are light grey and others are dark red, arranged in a grid-like fashion. The text is centered in the middle of the page.

**Our mission is to provide a desirable, affordable and durable recovery and return to work insurance scheme for South Australia that reduces the social and economic costs of work injury.**

# MESSAGE FROM THE CHAIRMAN AND CEO

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**GREG MCCARTHY**  
Chairman



**MICHAEL FRANCIS**  
CEO

The 2021–22 financial period was a year of challenge for South Australia’s Return to Work scheme, which faced the very significant issues that had been forecast in last year’s annual report.

Yet, the Scheme continued to support the state’s injured workers and employers, achieving its best return to work performance since 2018.

## Performance overview

Providing support for early return to work is the primary objective of the Scheme. The medical evidence about the health benefits of work is clear, and it is also unquestioned that the longer a person is away from the workplace following a work injury, the less likely they are to return at all.

This is why it is pleasing to see that headline return to work measures continued to trend favourably, improving across most indices (see p15).

In a service industry, how we go about what we do matters. We are often dealing with people who are feeling vulnerable or anxious about their recovery from injury and are worried about the financial impacts on them and their family if they can’t work. We are also dealing with employers who want to keep their staff safe, well and productive. Most of these are small business owners with little experience in interacting with a work

injury insurer or in understanding their return to work obligations. We are mindful of the multitude of stressors that can add complexity to someone’s recovery from a work injury, and it is therefore imperative that we have people with the right skills and experience to provide timely and tailored support to injured people and their employers when they need it most.

That said, most of the circa 14,000 people who lodge claims in a given year do not require a lot of interaction with our agents. They simply need the financial support required to cover their medical expenses and perhaps a short period of lost wages. But, for those who do require more active support, we know that a face-to-face service model makes a big difference to the service experience and contributes to significantly better return to work outcomes.

This is why we are committed to attracting, developing and retaining people with the skills required to support injured workers and their employers when they require this assistance to achieve better health and return to work outcomes.

Since 2019, we have increased the number of mobile claims managers by 30%, with more added in the past year. Not only does this allow for more face-to-face support to be provided (17,992 visits this year), but it has also reduced caseloads. Smaller caseloads allow for more





considered and meaningful interactions with workers and employers. It also provides a more fulfilling employee experience for mobile case managers, contributing to reduced turnover and leading to more experienced staff supporting injured workers and employers.

Therefore, it is pleasing that median caseloads for mobile claims managers have reduced by circa 30% since 2019, with a further reduction this year, bringing the median case number from a high point of 37 cases in 2020–21 to 26 cases by the second half of 2021–22.

## **Scheme reforms**

As heralded in last year's annual report, a decision by the Full Court of the Supreme Court in March 2021 created a significant affordability challenge that would ultimately require legislative change to restore the financial sustainability of the Scheme.

With a new State Government (elected in March 2022) quickly recognising the need for a timely response, the *Return to Work (Scheme Sustainability) Amendment Act 2022* (Amendment Act) was passed on 6 July 2022. While the details of the reforms are summarised later in this report, amendments to the Act have enabled the revised interpretation brought about by the Supreme Court's decision to remain, while adjustments to other features of the benefit structure are designed to address associated Scheme affordability and sustainability risks. There is a high level of uncertainty about the potential for unintended consequences and the long-term impact of the legislation changes. It will likely be two to five years before the effects are fully understood.

## **Financial results**

Legislation changes, discount rates and investment results all had a significant impact on the financial results for 2021–22. The Amendment Act reduced liabilities by

an estimated \$424.0m, however this only offset part of the increase in claim liabilities incurred over the last two financial years to provision for the revised interpretation and application of the decision referred to earlier in this report. The reforms overall have improved the financial outlook, though as has been foreshadowed, a further modest increase in the Average Premium Rate is likely to be required to cover the cost of future claims and to ensure the financial sustainability of the Scheme.

The total comprehensive result for the year is a profit of \$53.7m. The funding position at 30 June 2022 was at 92.8%, and at \$294.9m below full funding, within the Board's target funding range. The underwriting result before investment earnings was a profit of \$289.8m. While increased discount rates had a favourable impact of reducing Scheme liabilities by \$369.0m, this was partially offset by a net investment loss of \$190.8m (-5%).

## **Summary**

The implementation of legislative changes that maintain funding and affordability, combined with continued improvement in return to work results are reasons to be optimistic. Work injury insurance jurisdictions around Australia are facing sustainability and affordability challenges with return to work results coming under pressure, psychological injury claim numbers growing, competition for talent increasing and investment markets remaining variable. The South Australian Return to Work scheme's performance within this context should be viewed positively.

We are well positioned to work with the State Government and Scheme stakeholders to provide a desirable, affordable and durable work injury insurance scheme that continues to evolve in the face of new challenges in a way that supports better lives for South Australian communities.

# INSURANCE PERFORMANCE SUMMARY

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## Our strategic plan

The ReturnToWorkSA Board has a clear strategic plan for 2020–24. Our mission is to *provide a desirable, affordable and durable recovery and return to work insurance scheme for South Australia that reduces the social and economic costs of work injury*. The key strategic objectives to guide our mission are:

- 1 Early and purposeful action is taken to support workers:
  - › to realise the health and social benefits of work wherever possible
  - › being restored to the community when return to work is not possible.
- 2 Effective economic operation of the Scheme to contain employers' costs, within reasonable limits.



## Realising the health benefits of work

### Timely decisions

There were 14,250 claims received in the registered scheme. 89% of all physical injury claims received were determined within 10 business days of receipt. Hearing loss, psychological, working director and death claims are not included in this measure of performance because of the more complex nature of the work required to determine these claims.



**89%**

of all physical injury claims received were determined within 10 business days of receipt



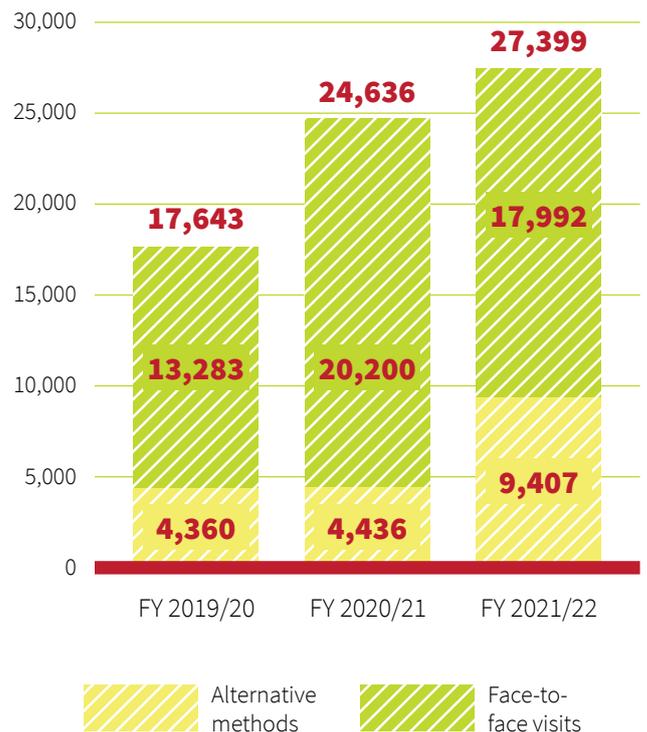
**27,399**

mobile claims manager engagements

### Personalised claims service

Claims agents and ReturnToWorkSA have 157 mobile staff combined, providing personalised customer support to injured workers and their employers. This is an additional 13 mobile staff on 2020–21 numbers and is reflective of increased investment in front-line resources. Face-to-face services continue to be the cornerstone of our service model and are essential to supporting injured South Australians and their employers to achieve their return to work goals. However, with borders opening in November 2021 and COVID-19 cases increasing within the South Australian community, a number of businesses across the state were required to restrict access to their sites. This resulted in mobile staff adapting their approach as to how they engage with customers. Alternate methods of communication, including video and telephone calls, became more prevalent ways of supporting injured workers to achieve their goals. Overall, face-to-face engagement has remained the main method of customer engagement, with some support from alternate methods when face-to-face was deemed inappropriate. Despite these challenges, return to work rates have improved, highlighting the strong correlation between an increase in front line resources and improved performance.

### Mobile claims manager engagements



**9,407**

mobile claims manager alternate methods (phone and video)



**17,992**

mobile claims manager face-to-face visits



**157**

mobile staff



## Remaining at or returning to work

The Return to Work insurance scheme provides financial assistance and case management support to assist an injured person to recover, remain at or return to work. The table shows how many people have remained at work or returned to work within 12 months of their injury.

Performance continued to be impacted by COVID-19, however improvements in 2021–22 have brought return to work rates above the 2020–21 year. The impact of COVID-19 during 2021 was on the availability of work, combined with our claims agents being unable to mobilise their workforce at different times during the year. Our claims agents have since increased their capacity for face-to-face service provision and alternative forms of engagement, to increase the level of support provided to workers and employers in the pursuit of better return to work outcomes.



# 57

workers assisted back to work through Re-employment Incentive Scheme for Employers (RISE)\*



# 85

seriously injured workers assisted to remain at or return to work

## Injured workers fully at work at key intervals after injury

	4 weeks	13 weeks	26 weeks	52 weeks	103 weeks
2021–22	72%	83%	89%	93%	94%
2020–21	71%	83%	87%	91%	94%
2019–20	73%	82%	86%	91%	94%
2018–19	75%	84%	88%	92%	95%

## Injured workers fully or partially at work at key intervals after injury

	4 weeks	13 weeks	26 weeks	52 weeks	103 weeks
2021–22	83%	90%	93%	95%	96%
2020–21	82%	90%	93%	94%	95%
2019–20	81%	88%	91%	93%	96%
2018–19	82%	90%	93%	95%	96%

*The above rates may differ slightly from historical rates published in ReturnToWorkSA Annual Reports prior to 2021–22. The 4 week milestone is measured from the claim received date instead of the first income support payment date. Other milestones are measured from the first date of incapacity instead of the first income support payment date. The previous calculation method was based on income support payments which can take many months to mature as they are dependent on when employers choose to claim reimbursements. The new calculation method is more timely and accurate as it is based on direct contact with injured workers and is measured each week on the milestone date.*

\*Refer to page 42 for information about RISE.

# LEGISLATION CHANGES EXPLAINED

On 6 July 2022, the South Australian Parliament passed the *Return to Work (Scheme Sustainability) Amendment Bill 2022*, which was proclaimed as an Act on 28 July 2022.

As detailed in last year's Annual Report, the 2021 Supreme Court decision in the matter of *Summerfield* had a significant impact. The government has responded by amending the *Return to Work Act 2014* to codify the combination of impairments as set out in the *Summerfield* decision, whilst introducing other changes to ensure the Return to Work scheme is financially sustainable in the long term, and that it can continue to support South Australians who are injured at work.

## Key changes to the Return to Work scheme

 From 1 January 2023, increasing the serious injury threshold for physical injuries from 30% to 35% Whole Person Impairment. Allowing for the combination of injuries, the increase in the seriously injured threshold for physical injuries is considered to better reflect an appropriate level of impairment beyond which a worker is entitled to income support until retirement age and medical expenses for life.

 From 17 October 2022, workers who have been seriously injured on or after 1 July 2015 can elect to receive a single lump sum for economic loss. If an election is made, the worker is no longer entitled to receive ongoing weekly payments until retirement age. This gives injured workers more options and the freedom to make the best decision for their own health, quality of life and future wellbeing.



Injured workers requiring surgery after their income support has ended are entitled to up to thirteen weeks of supplementary income support payments following approved surgery.



Allowing for a redemption of medical expenses for seriously injured workers.



The Second Edition of the *Impairment Assessment Guidelines* was revoked on 1 August 2022, reverting to the First Edition *Impairment Assessment Guidelines*.



The government has committed to consulting broadly on the development of a Third Edition of the *Impairment Assessment Guidelines*. The government intends to commence work on this in during 2022–23.

There is no claims experience with the full suite of legislative changes in place. While the impact of the changes has been modelled, it will take at least two to five years for the real impact to be known.



# FINANCIAL PERFORMANCE SUMMARY

## Effective economic operation of the Return to Work scheme

Improved return to work rates positively impacted this year's underwriting result (and the total comprehensive result) however, the two most significant influences were:

- Scheme reform legislation
- favourable changes in economic factors – namely higher discount rates (which reduced the present value of outstanding claim liabilities).

While the Amendment Act was passed after 30 June 2022, its financial impact has been included in this year's results as an adjusting event in accordance with Australian accounting standards and to show a more accurate estimate of the ultimate cost of settling the claim liabilities. The actuary's central estimate for the reduction in liabilities attributable to the Scheme reform legislation, reflected in the 2021–22 underwriting result, was \$424.0m. This has, in part, offset the more than \$800m increase in claims liabilities incurred and included in the underwriting result over the two most recent financial years (\$584.0m in 2020–21) in order to account for the combining of injuries.

With the Amendment Act codifying the combining of injuries, associated costs will be incurred in future underwriting years. While the Scheme reforms will offset the financial impact in part, as has been foreshadowed, a further modest increase in the Average Premium Rate is likely to be required to ensure the financial sustainability of the Scheme.

<b>Profit from insurance operations</b>	<b>2019-20 \$'m</b>	<b>2020-21 \$'m</b>	<b>2021-22 \$'m</b>
Underwriting result <sup>1</sup>	(256.3)	(776.6)	289.8
Change in economic factors <sup>2</sup>	3.0	(104.0)	(369.0)
Long term investment earnings (net) <sup>3</sup>	166.8	143.5	175.0
Operating expenses <sup>4</sup>	(57.4)	(53.8)	(58.0)
Other income <sup>5</sup>	12.4	12.2	12.7
<b>Profit/(loss) from insurance operations <sup>6</sup></b>	<b>(131.5)</b>	<b>(778.7)</b>	<b>50.5</b>
Include change in economic factors	(3.0)	104.0	369.0
Investment earnings difference <sup>7</sup>	(168.8)	255.8	(365.8)
Operating profit/(loss) <sup>8</sup>	(303.3)	(418.9)	53.7
Tax equivalents <sup>9</sup>	0.0	0.0	0.0
<b>Total comprehensive result</b>	<b>(303.3)</b>	<b>(418.9)</b>	<b>53.7</b>

1. Premium less Claim costs (including economic factors), claim agent and tribunal fees [*per Statement of Comprehensive Income*]
2. Exclude impact of change in economic factors that are beyond ReturnToWorkSA's control e.g. discount rates
3. Investment earnings (net) calculated at the expected long term (10 years) earnings rate to exclude short term variability
4. Includes employee, depreciation, accommodation and other operating costs [*per Statement of Comprehensive Income*]
5. Self-insured employer fees and Sundry income [refer *Statement of Comprehensive Income*]
6. Operating result excluding economic factors and investment variability
7. Difference between actual total Net investment profit and long term investment earnings (net)
8. Reported operating profit before tax equivalents [*per Statement of Comprehensive Income*]
9. Tax equivalents are only payable if there is both an Operating Profit, a Profit From Insurance Operations and a funding level of at least 100%

## Premium collection and affordability

The average premium rate for South Australian employers in 2021-22 was 1.70%.

## Continued low rate of premium disputes

Over 56,000 South Australian employers were registered premium payers in 2021-22, out of which there were only 32 premium disputes lodged.

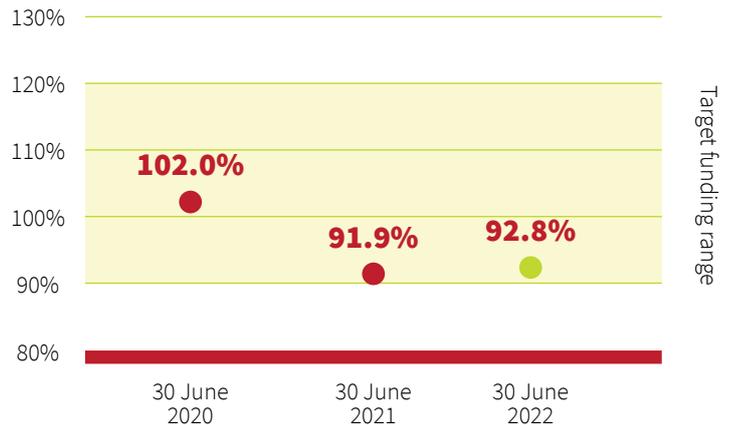
## Scheme funding ratio

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

One of the primary functions of ReturnToWorkSA is to take all reasonable steps to ensure the Scheme is fully funded on a fair basis, while also seeking to keep the premium affordable for employers at less than 2%, as stipulated in the Act.

The ReturnToWorkSA Board seeks to maintain the funding position within a targeted funding ratio range of 90% to 120%. The funding ratio as at 30 June 2022 was 92.8%, which was a slight improvement on last year.

Without the \$424.0m central estimate reduction in claim liabilities, the Scheme funding ratio at 30 June 2022 would have been 84.1%; outside of the targeted range. As a consequence of legislative changes, the Scheme funding ratio is anticipated to remain within the targeted range in 2022–23.

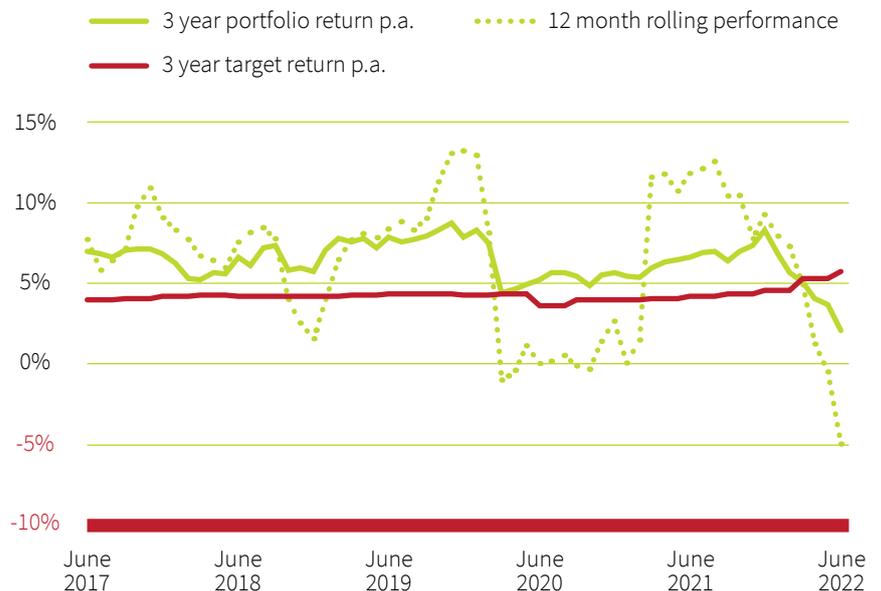


## Investment return

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

▼ Net return on investment for 2021–22 was -5.0%

The dramatic increase in inflation over the last 12 months has flowed through to interest rates. This environment has negatively impacted our equity and fixed interest holdings.



# ABOUT US

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The Return to Work scheme is a critical contributor to South Australia's economy, protecting workers and employers from the costs of work injury.

The objective of the Scheme is to support workers injured at work and provide early intervention to ensure action is taken to:

- recover from injury
- remain at, or return to work following injury
- realise the health benefits of work
- 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 are 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 provide for the best possible chance of recovery and remaining at or returning to work.

## Our insurance role

We provide work injury insurance that protects more than 56,000 South Australian businesses and approximately 610,000 workers in the event of a work injury.

As an insurer, we are funded by the premiums paid by employers and the investment returns achieved 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 Act and in accordance with the ReturnToWorkSA business model.

ReturnToWorkSA retains direct management of claims from injured workers who have suffered catastrophic injuries. While the number of people who suffer such injuries is low, the complexity and intensity of these worker's needs and costs of these claims are high.

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 injured 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
- 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

We protect the interests of South Australia's workers and employers by monitoring and enforcing compliance with the Act and providing education about the health benefits of work and legislative compliance obligations.

Our regulatory role is designed to protect the integrity and fairness of the Scheme and includes:

- managing compliance with employer obligations to register with ReturnToWorkSA, provide accurate remuneration returns, provide suitable employment and appoint a return to work coordinator
- managing the registration and compliance of Crown and private self-insured employers who manage their own claims and associated liabilities as an alternative to insuring with ReturnToWorkSA
- monitoring the delivery of a fair, effective and efficient Return to Work scheme
- setting the fees and conditions for the provision of medical, allied health, return to work, job placement and other services funded by all insurers
- educating service providers about the Scheme and our expectations of service outcomes
- responding to enquiries and managing complaints
- raising awareness and investigating potential offences under the Act and prosecuting dishonesty offences
- ensuring permanent impairment assessments comply with the Act, the Minister's *Impairment Assessment Guidelines*, *American Medical Association Guide to the Evaluation of Permanent Impairment 5th edition (AMA5)* and the relevant case law.







# OUR STRATEGIC DIRECTION

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Our mission is to provide a desirable, affordable and durable recovery and return to work insurance scheme for South Australia that reduces the social and economic costs of work injury.

Our strategic plan has evolved as the Return to Work scheme has matured and new pressures have emerged.

Recent adjustments have included increasing the intensity of our efforts to attract, develop and retain people with the right skills and attributes across our workforce.

Our strategic objectives are:

- 1 Early and purposeful action is taken to support workers:
  - › to realise the health and social benefits of work wherever possible
  - › being restored to the community when return to work is not possible.
- 2 Effective economic operation of the Scheme to contain employers' costs, within reasonable limits.

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## Return to Work Corporation of South Australia Charter and Performance Statement

The *Return to Work Corporation of South Australia Charter and Performance Statement* set out the government's key priorities, requirements and expectations for ReturnToWorkSA's performance.

In accordance with the Charter, ReturnToWorkSA reports quarterly to the Minister against the objectives set out in the Performance Statement.

# GOAL ONE

Early and purposeful action is taken to support workers to realise the health and social benefits of work wherever possible or being restored to the community when return to work is not possible.

Our service model is designed to encourage early injury reporting and a face-to-face claims management service for workers and employers needing assistance with recovery, staying at or returning to work.

*The below rates may differ slightly from historical rates published in ReturnToWorkSA Annual Reports prior to 2021-22. The 4 week milestone is measured from the claim received date instead of the first income support payment date. Other milestones are measured from the first date of incapacity instead of the first income support payment date. The previous calculation method was based on income support payments which can take many months to mature as they are dependent on when employers choose to claim reimbursements. The new calculation method is more timely and accurate as it is based on direct contact with injured workers and is measured each week on the milestone date.*

## Percentage of injured workers who were fully back (or remained) at work at key intervals

	4 weeks	13 weeks	26 weeks	52 weeks	103 weeks
2021-22	72%	83%	89%	93%	94%
2020-21	71%	83%	87%	91%	94%
2019-20	73%	82%	86%	91%	94%
2018-19	75%	84%	88%	92%	95%

## Injured workers fully or partially at work at key intervals after injury

	4 weeks	13 weeks	26 weeks	52 weeks	103 weeks
2021-22	83%	90%	93%	95%	96%
2020-21	82%	90%	93%	94%	95%
2019-20	81%	88%	91%	93%	96%
2018-19	82%	90%	93%	95%	96%





**27,399**

mobile claims manager engagements



**9,407**

mobile claims manager alternate methods (phone and video)



**17,992**

mobile claims manager face to face visits



## Personalised and mobile service model

ReturnToWorkSA has a strong focus on service and a personalised approach.

ReturnToWorkSA and our claims agents have 157 mobile claims staff throughout Adelaide and major regional population centres.

Our return to work results have improved again in 2021–22, despite the ongoing impact of COVID-19 restrictions. Claims agents were proactive in adapting the way they engaged with our customers, taking into consideration any restrictions imposed due to COVID-19.

We have continued working to increase the level of support that our customers receive. This includes, but it is not limited to:

- an increase to the number of staff delivering front line claims services to our customers
- claims agents continuing to actively support injured workers using digital alternatives to face-to-face services when face-to-face is not possible due to public health reasons
- the reviewed and improved model of services for workers with a serious injury and/or psychological claims
- the implementation of targeted injury prevention and safety programs, including working with SafeWork SA, to respond to higher incidences of injury and claiming patterns in specific industries.

These and other initiatives are also documented in our strategic plan. We are proud of the commitment of ReturnToWorkSA staff and our claims agents to the service approach and look to continuously improve the experience of workers and employers in our Scheme.

## Access and equity

We are committed to providing access to our services and products to all South Australians. The information on the Return to Work scheme is available in 22 community languages and in AUSLAN.

We provide Cultural Competency training for our employees and claims agents.

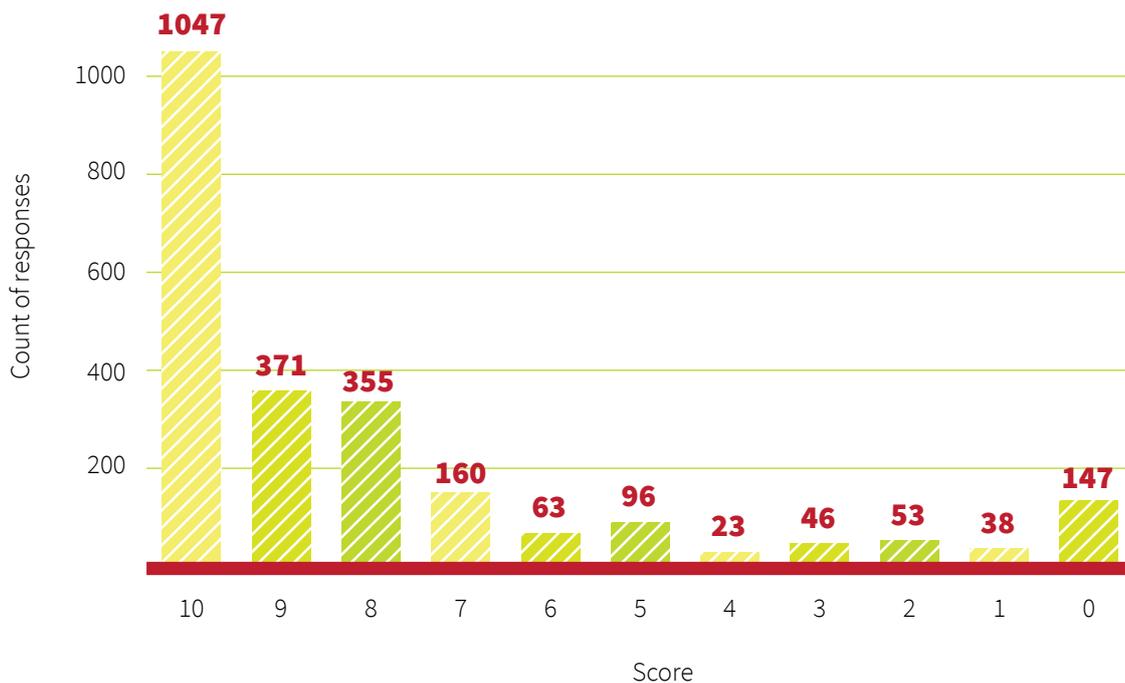


## Feedback on personalised claims service

Our Net Promoter Score surveys are designed to capture customer opinions whilst the services are still being received, rather than only on completion.

This immediacy has contributed to a high response rate of 22%. Importantly, if people indicate they are not satisfied with the service in the survey, we are able to contact them and discuss what we can do to address their concerns. This service recovery aspect is a critical element of the business model.

80% of respondents rated the service at seven or above, with the largest cohort of responses being at the maximum score of 10.



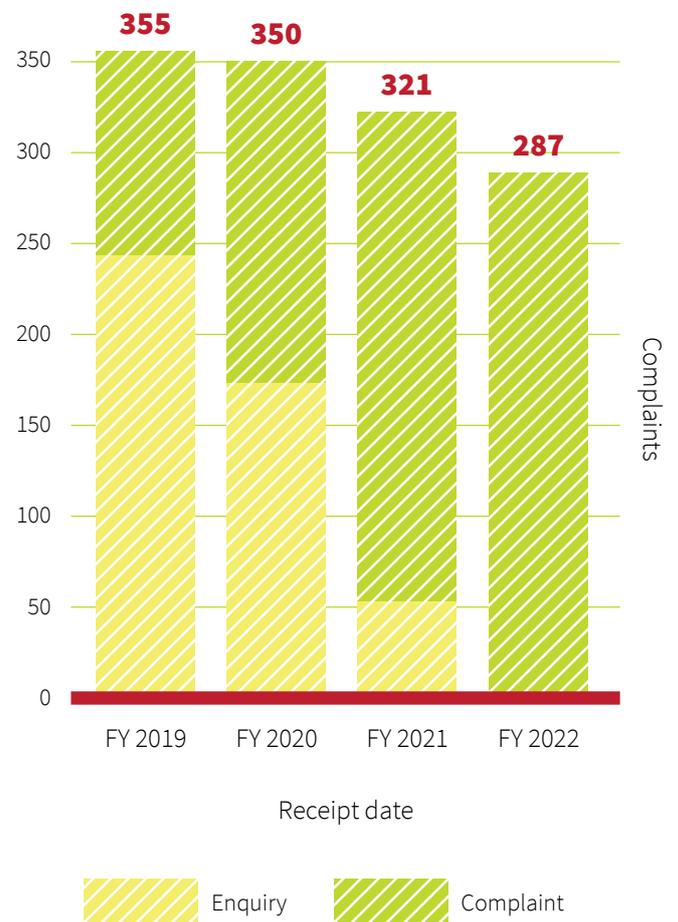


## Complaints

ReturnToWorkSA takes any contact from concerned stakeholders seriously. In March 2020, we made changes to the way we record contacts from dissatisfied stakeholders as part of a process improvement that allowed us to ensure the right amount of attention is given to resolving people's concerns. ReturnToWorkSA classified contacts from stakeholders as a complaint or enquiry. The internal review of our processes in March 2020 revealed inconsistent practices across our claims agents and ReturnToWorkSA. The revised procedure since implemented requires a consistent process be applied across all three organisations, and also requires many contacts previously recorded as enquiries to be classified as complaints.

Complaint numbers have decreased, indicating lower levels of dissatisfaction overall and are consistent with our expectations in an environment where service levels, evidenced through significantly greater numbers of mobile claims engagements, are higher than at any time in the Scheme's history.

## Complaints & enquiries





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

**95%**

workers reimbursed within 14 days of us receiving their receipts

**98%**

medical and allied health services for injured workers billed directly to our claims agents paid within 30 business days

**98%**

employer wage expenses reimbursed within 30 business days

**89%**

claims submitted for physical injuries are determined within 10 days

Easing the anxiety of participants in the claim process has been a key focus for our claims agents. We have tightened our focus on getting the insurance basics right.

- 89% of claims submitted for physical injuries were assessed within 10 business days (excluding hearing loss, psychological, working director and death claims which all require more detailed eligibility assessment processes). Claims for psychological injuries and claims for injuries incurred many years before lodging the claim for compensation take longer to establish whether the person is eligible for access to the Scheme. We operate a 'no fault' insurance scheme, and of the claims received and determined in 2021–22, approximately 93% were accepted at first determination.
- 95% of workers have their expenses reimbursed within 14 days of receipt.
- 98% of employers receive wages reimbursements within 30 business days.
- 98% of medical and allied health providers receive payment of their invoices within 30 business days.

## Disputes

Workers or employers who are unhappy with the outcome of a claim may lodge an application for review in the South Australian Employment Tribunal (SAET). Return to Work scheme claim disputes increased 21.4% in 2021–22, from 2,685 to 3,260.

The highest number of disputes are related to Whole Person Impairment (WPI) assessments, and subsequent review of economic loss or non-economic loss decisions linked to WPI assessment outcomes. In 2021–22, a significant proportion of the increase related to the decision in *Summerfield* and the subsequent application to the High Court for leave to appeal that decision, which enabled the aggregation of multiple injuries from the same 'injury or cause' to determine a final WPI score. The outcomes of these determinations may be linked to significant lump sum payments (up to \$539,820) and much higher value benefits provided for through the serious injury classification, where the worker becomes entitled to income support at a level of 80% of their

notional weekly earnings through to retirement age and medical benefits paid for life. Given the high monetary value of these benefits, the level of disputation associated with challenging the outcome of WPI determinations is unsurprising. ReturnToWorkSA has a critical role to play in managing the gateway to these benefits in accordance with the legislative intent. Protecting the integrity of Scheme boundaries is essential to managing the affordability and durability of the Scheme.

Lump sum compensation and serious injury benefits are essential provisions of the Scheme for those who are entitled to them and who rely upon them, but it is also vital to the affordability and durability of the Scheme that eligibility processes for access to these benefits are rigorously managed. The Return to Work scheme pays the reasonable costs of all disputes for a worker or employer who challenges the determinations made by ReturnToWorkSA and its claims agents.

ReturnToWorkSA has bolstered its investment in claims agent training, capability and resources in 2021–22 as part of its commitment to continuously improving the quality of decision making.

Unlike other jurisdictions, the South Australian Return to Work scheme provides accessibility to have decisions reviewed by the SAET by covering the reasonable costs incurred by workers and employers for legal representation or representation by an officer of an industrial association in any proceedings before the SAET. The early resolution of disputes has been a key focus for ReturnToWorkSA over the last financial year. ReturnToWorkSA understands our role in working with our claims agents to reduce the number of disputes through better resourcing, building capability and improving the communication of decisions to employers and workers. In the event that a dispute is lodged, ReturnToWorkSA also understands the need to work with our legal providers to reduce the duration of disputes to the greatest possible extent by working with injured workers, employers and their representatives to resolve the dispute as early as possible to bring finality to the dispute. This resulted in a net reduction in open disputes of 8% in the second half of the financial year. This will continue to be a focus for ReturnToWorkSA.

## Representation of the journey from claim determination through to dispute outcome

Data used in this figure is for the 2020–21 financial year. Due to disputes resolving differently and dynamically over time, this is the most mature data available.

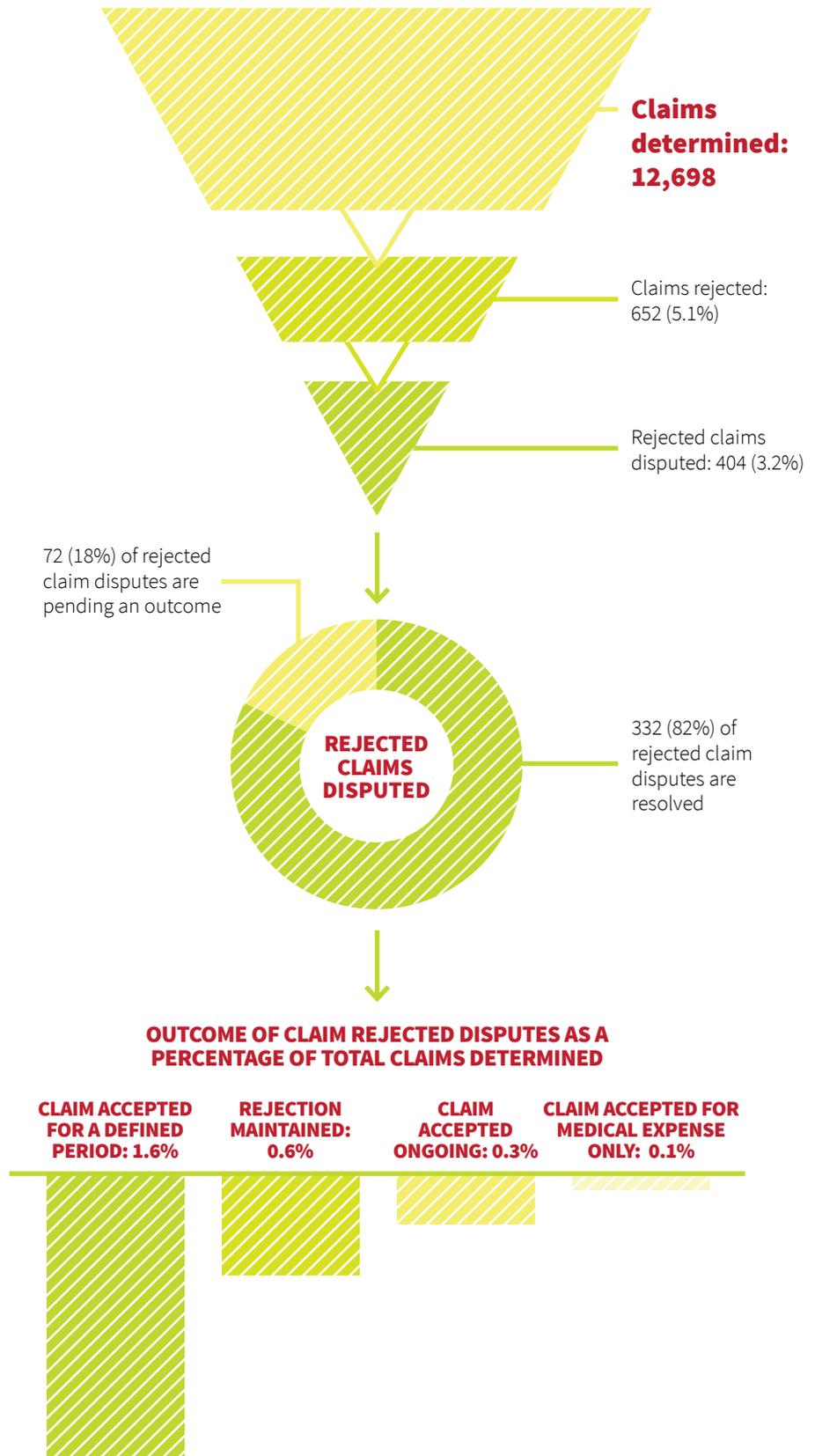
In particular, we understand the importance of resolving compensability or eligibility disputes.

The figure demonstrates the journey of claims from determination to compensability dispute and through to outcome. It is a representation of the approximate number of claims determined each year (excluding noise-induced hearing loss (NIHL) and withdrawn claims) and the ultimate eligibility/compensability dispute outcomes.

Approximately 5.1% of the claims determined during 2020–21 were rejected. It should be noted that not all rejected claims are disputed, with approximately 3.2% of the total claims determined resulting in dispute; and not all disputes resolve in the same financial year, with approximately 0.6% of total claims still pending a dispute outcome. Of those claims in dispute, 82% were resolved.

The dispute process often provides a means for producing further evidence in support of a claim. Resolutions including a defined period of income support or medical expenses only are often the result of a negotiation or compromise where there may be contradictory evidence, medical or factual information.

ReturnToWorkSA is committed to providing more data about the outcome of disputes in future.





## Retraining

Whilst most people injured at work recover and remain at or return to their employment, there are people who are unable to return to the job they were performing before their injury occurred. These people may require retraining and assistance in finding new employment. The Return to Work scheme allows the employer's insurance premium to provide financial support to people in this situation.

## Community participation and purpose

Each year, ReturnToWorkSA receives in excess of 14,000 new claims. Most of these people will remain at work or return to work.

A small number of people will have a long term serious injury or level of disability as a result of their injury. The Act provides for a lifetime care and support package for people determined to be seriously injured. As at 30 June 2022, there were 832 workers with active serious injury claims receiving support from the Scheme.

## Supporting Scheme service providers to deliver better health outcomes

Supported by a Physiotherapy Advisor, Exercise Physiology Advisor and two Medical Advisors who are practising General Practitioners, ReturnToWorkSA continues to provide a diverse education and support program to medical and allied health service providers.

Delivery of training occurred face-to-face, online and via digital platforms, with many sessions including Continuing Professional Development (CPD) accreditation.



More than 115 educational sessions were conducted at medical and allied health clinics, and 48 educational sessions were delivered to allied health undergraduate and postgraduate university students.

ReturnToWorkSA continues to offer free online modules for medical and allied health practitioners (*ReturnToWorkGP*, *ReturnToWorkAHP* and *Opioids and Your Patient*). These CPD accredited modules provide up-to-date and valuable information for health professionals, including those in the undergraduate setting. 705 allied health and medical professionals have completed the online modules this year to date.

# OPIOIDS CAN TAKE AWAY MORE THAN PAIN



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## ReachForTheFacts

ReturnToWorkSA recognises the potential harm associated with the continued use of opioids for chronic pain. In 2021–22, ReturnToWorkSA continued to collaborate with an established coalition of health and community organisations as part of phase two of the ReachForTheFacts campaign. The campaign focussed on raising awareness of the risks associated with the prolonged use of opioids. These risks include broader psychosocial risks, relationship issues, absenteeism and immobility.

The ReachForTheFacts website—[reachforthefacts.com.au](http://reachforthefacts.com.au)—continues to serve as a central hub for information and resources, including an interactive ‘side effects’ page, a ‘medicine checker’ to learn more about specific prescription opioids, and an opioid dependency tool to provide further insight to those who may be unknowingly struggling with dependency issues. In 2021–22, the website was visited over 8,000 times, 105 people used the dependency tool and 211 people used the medicine checker.

For health professionals the website is also a useful resource, providing a central repository of contemporary resources and clinical information regarding pain management and clinical tools for dependency assessment and deprescribing.

The risks associated with the use and misuse of prescription opioids remain a Scheme and community issue for South Australia which can adversely impact return to work outcomes. ReturnToWorkSA will continue to work with our partners to raise community awareness, through the ReachForTheFacts website, about the use of prescription opioids.

Our partners include:

- Adelaide Primary Health Network
- The Australian Dental Association SA Branch
- The Australasian Faculty of Occupational and Environmental Medicine
- The Royal Australasian College of Physicians
- The Australian Medical Association (SA)
- The Australian and New Zealand Society of Occupational Medicine Inc
- The Australian Pain Society
- Council of the Ageing
- The CTP Insurance Regulator
- The Faculty of Pain Medicine (Australian and New Zealand College of Anaesthetists)
- Pain Australia
- The Pharmaceutical Society of Australia
- The Royal Australasian College of Surgeons
- The Rum Project (Return Unwanted Medicines)
- The Society of Hospital Pharmacists of Australia
- Exercise and Sports Science Australia
- Occupational Therapy Australia
- Australian Psychological Society
- Australian Physiotherapy Association
- Therapeutic Goods Administration.

## Post-Surgical Support Program

ReturnToWorkSA's Post-Surgical Support Program has provided support to 460 injured workers who have had or are about to have surgery. This tailored and voluntary program is delivered by qualified health professionals for up to six weeks after surgery.

The program has helped participants better manage their post-operative experience, leading to a decreased need for ongoing pain medication, improved health literacy and increased functional capacity. The program has also provided effective support for participants transitioning from the care of their surgeon to the care of their general practitioner.

## Impairment assessments

Whole Person Impairment assessments are a critical element of the Return to Work scheme that help to determine whether an injured worker is entitled to lifetime care and support. They are a key component of the calculation of lump sum entitlements for economic loss and non-economic loss for workers who do not meet the serious injury Whole Person Impairment threshold.

ReturnToWorkSA conducts reviews of permanent impairment assessment reports to ensure they are compliant with the Act, the *Impairment Assessment Guidelines* and *AMA5*, and also provides support to accredited impairment assessors through training and responding to enquiries.



In 2021–22, 3,039 permanent impairment assessment reports were received. Of the total reports received, 82% were compliant on first review and 97% were compliant after contact with the assessor.



## Supporting people with serious injuries to return to work and return to life: Andrew's story

The intent of the *Return to Work Act 2014* is to help injured workers recover from their injuries and return to safe and sustainable employment.

ReturnToWorkSA believes all injured workers, including those with a serious injury, should be provided with the same opportunities to access employment in the open labour market and experience the health benefits of work. Being employed positively impacts quality of life by providing a sense of purpose and a deeper connection with the community.

Together with our claims agents, we are committed to guiding and supporting seriously injured workers to re-engage with the community. Part of this has been a sustained focus over the past couple of years to support seriously injured workers to make a return to work where possible.

Returning to work over a decade after sustaining a serious back injury gave Andrew 'things that money can't buy'.

In 2005, Andrew was working at the Royal Adelaide Hospital in the Violent Patient Response team when he was paged to restrain and search a patient who became aggressive while on methamphetamine. A wrestling tussle followed when Andrew entered the room, and it wasn't long before he and the patient fell between a bed and the wall, twisting Andrew's back as they went down.

'I thought I'd be back to work the next day,' said Andrew, recalling the day his injury occurred.

'By the time I realised how badly I had injured myself, I didn't know when I'd be able to return to work.'

The incident resulted in a herniated disc in the spine, which required discectomy and laminectomy surgery.

'I couldn't walk and I was in a lot of pain,' said Andrew.

'I was stuck at home, it was very hard to do anything to be honest. The future wasn't looking bright.'

It would be over 15 years before Andrew would work again.

In 2016, he was assigned a Return to Work Independence Specialist from Gallagher Bassett, Leah Kenna. Leah observed that Andrew was housebound due to his limited walking ability.

'I could see that he was very isolated and needed some assistance to reconnect with the community,' said Leah, recounting her first meeting with Andrew in his home 6 years ago.

Once the relationship was established, Leah gradually involved an occupational therapist who supplied a wheelchair, allowing Andrew to venture into the community again. From there, a gym program was put in place with support from a physiotherapist and exercise physiologist that eventuated in Andrew being able to walk unaided.

Then Leah suggested a return to work.

'The turning point was when I sat down with Leah, we were having a coffee and she said "right, Andrew, how do you feel about returning to some kind of work?" and I said "I think that's a fantastic idea!"' Andrew recounts.

Andrew successfully completed several courses in security and firearms, received assistance with resumés and interview skills, and regularly caught up with Leah for additional support.

'It took a while with a lot of support and a lot of services. I utilised every service and support I could from ReturnToWorkSA and we got there,' Andrew exclaims with pride.

In March 2021, Andrew successfully gained employment as an armed guard. Since returning to work, he has been gaining more work from his employer and has been added to the 'gold run', a sign of trust by the employer.

'He's actually probably one of my best staff,' said Mike, his employer.

'We do have plans for the future with upcoming contracts which I'm going to involve Andrew with in a much higher capacity than what he is in at the moment.

'We've got big plans for Andrew.'

Andrew's passion for security work is clear when he tells us the impact that his recovery has had on his life.

'Getting back to work gives you a connection to the community, it gives you self-respect, things that money can't buy,' he says.

'I'm not isolated, I've got a reason to get up every morning. I just generally love life at the moment.'

He also had some wise words of advice for others.

'Just don't give up. Don't sit at home, don't lay in bed and think the future's not going to get any better, because it will. You just need to be determined and focussed.

'Get it done.'



## 93% of injured workers return to work within 26 weeks

Our personalised assistance and case management support is focused on helping people to recover from a work injury and get them back to work and life as soon as it is safe to do so.

### Sharon's story\*

'I am so grateful for the support of my claims manager and her help to get me back to work quickly. It gave me back my life.'

Sharon was working as an aged care support worker when she was involved in an incident that left her with a psychological injury. She was keen to return to work but needed clearance from a GP. Sharon's case manager worked with her employer to ensure that her roster was up-to-date with safe and suitable shifts, and arranged an appointment with her GP. During the appointment, Sharon was given clearance to work and returned to work the same day, after only a month off work.

### Michael's story

Michael was cut by glass while working as a production worker in a labour hire arrangement. He suffered a laceration to his right hand, and with quick intervention from his recruitment agency, was in surgery within 90 minutes of the accident.

He recovered quickly following surgery and was excited to get back to work. However, Michael caught COVID-19, which delayed his return to suitable duties, worksite assessment and his first hand therapy appointments.

Michael's claims manager met with him and the recruitment agency over the phone to complete his Return to Work Plan and discuss suitable duties. Within a few weeks, a worksite assessment was completed and Michael returned to work with his pre-injury host employer, working full-time hours in suitable duties.

### John's story\*

'My claims manager has been very responsive, helpful and mindful of my needs. Very hands on approach on the matter at hand. Thank you very much.'

John's claims manager met with him, his employer and his doctor following his injury. John's safety and recovery was the first priority of his employer, who provided modified and suitable duties so that John could get back to work as soon as possible, in a safe way, while recovering from his injury. With a supportive and responsive claims manager and an understanding employer, John gradually returned to full duties at work within 2 months of his injury.

\*Some names have been changed to protect privacy.

## Personalised support and case management

Our specialised unit of Support Coordinators and Claims Officers continue to provide support to workers who have severe traumatic work injuries under our EnABLE Program. These workers require a high level of personalised support and case management, and our team supports them and their families to achieve sustainable quality of life outcomes, commensurate with their abilities.

A Support Coordinator contacts the worker and/or their family and employer as soon as they are aware of the injury to provide immediate assistance. Our Support Coordinators have extensive and experienced networks within the disability sector, and they utilise these networks to ensure that quality care and support from the relevant health professionals are available from the time of the injury.

Our Support Coordinators work in partnership with our Claims Officers 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, less than six people suffer a severe and traumatic injury each year. 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.

## The ReCONNECT Service

ReturnToWorkSA's ReCONNECT service provides free and voluntary support to people with a work injury claim who require assistance accessing community-based programs and services in addition to their Scheme funded support, such as:

- financial counselling
- mental health services
- family, legal and community services
- career guidance and job search support
- training, skills development and volunteering
- Centrelink.

ReCONNECT clients can access services at any time during their work injury claim, including when they have a dispute regarding their work injury claim, while they are receiving return to work services, or if they have reached retirement age.

ReCONNECT services are available to any injured worker, regardless of whether their employer is premium-paying or self-insured.



In 2021–22, the ReCONNECT service received 342 referrals from workers, claims agents and service providers.

## **Re-employment Incentive Scheme for Employers (RISE) Program**

The Re-employment Incentive Scheme for Employers (RISE) Program provides incentives for employers to help people who have been injured at work to return to meaningful and ongoing employment, if they are unable to return to their pre-injury employer.

Businesses that employ a person with a work injury through the RISE Program receive a range of benefits and supports, including subsidised wages.

In 2021–22, 57 applications for RISE subsidies from employers were approved.

## **Employer Education Advisory Services**

ReturnToWorkSA's Employer Education Advisor team expanded this year, continuing to support employers and Return to Work Coordinators to effectively manage recovery and return to work within their workplace, and provide access to a range of free education and support services.

This year, there were 675 new Return to Work Coordinators trained—an increase of 16% from last financial year. 79 courses were delivered by ReturnToWorkSA's approved Return to Work Coordinator Training Providers face-to-face and

online. A fifth Training Provider was approved to meet the continued demand for Return to Work Coordinator certification training.

In 2021–22, the return to work skill building program comprised of 40 workshops, including two regional workshops delivered in the Riverland and Mount Gambier, and 'The basics: An introduction to return to work and mentally healthy workplaces', a session specifically tailored for small businesses. Other workshops included 'Managing psychological injuries and claims', 'Demystifying suitable employment', 'Supporting return to work – A guide for Managers' and 'Managing a young and ageing workforce'.

Whilst some workshops were conducted in person, the majority of the program was delivered online, ensuring employers, Return to Work Coordinators, managers and leaders from all over South Australia were able to participate in and benefit from the program. As a result, the skill building program engaged 613 participants, a 30% increase in attendees from the previous year. Program feedback indicated that 97% of attendees would recommend the workshop they attended to others.

Throughout 2021–22, the Employer Education Advisor team continued to provide tailored phone and email support, and proactively engaged employers in high risk industries. Other free services offered include

subscription to the Return to Work Matters website, which provides valuable resources to 2,135 current subscribers and onsite education for Return to Work Coordinators, managers and leaders.

## **Mentally Healthy Workplaces Program**

ReturnToWorkSA is committed to providing support for mentally healthy workplaces in South Australia. The Mentally Healthy Workplaces Program aims to assist employers and industry in the development of strategies and activities to establish thriving workplaces. The program consists of state-wide collaboration with strategic partners, educational workshops and tailored programs for individual workplaces.

As part of ReturnToWorkSA's skill building program, our Mentally Healthy Workplaces Consultant delivered 25 workshops, both face-to-face and online, to 423 participants. This included the delivery of three sessions on the Mentally Healthy Workplaces 'Train the Trainer' program which equips large workplaces, both registered and self-insured employers, with the tools, knowledge and ability to deliver their own in-house training sessions on mentally healthy workplaces.

ReturnToWorkSA has a collaborative approach in the development of strategies and programs in the area



of workplace mental health, liaising with a broad range of stakeholders to align state-wide efforts. This includes Beyond Blue, the National Mental Health Commission, SuperFriend, Wellbeing SA, Office of the Small Business Commissioner, Business SA, SA Unions, SafeWork SA and the Mental Health Coalition of SA. ReturnToWorkSA also regularly connects and supports the work and research of MATES in Construction in the area of suicide prevention in the construction industry.

With the majority of employers in the Scheme being small businesses, ReturnToWorkSA is a strong supporter of Beyond Blue's national program 'NewAccess for Small Business Owners'. 'NewAccess for Small Business Owners' is a free and confidential mental health coaching service

via phone or video call available to small business owners (with 20 or less employees), providing six sessions to help business owners manage life pressures and stresses. During 2021–22, ReturnToWorkSA actively promoted and educated South Australian stakeholders and employers about the program's availability and benefits, through employer and industry workshops, social media, as well as regularly meeting with Beyond Blue to keep track of program implementation and effectiveness.

### **Low Intensity Mental Health Support Service**

The Low Intensity Mental Health Program provides a mental health coaching service to injured workers who may be experiencing stress or mild to moderate anxiety and depression to assist them in their

recovery and return to work. It can also be accessed by an identified support person(s) of the injured worker (e.g. family member), who is actively supporting the injured worker's recovery and return to work. In 2021–22, there were 427 referrals for the Low Intensity Mental Health Support Service which was predominately utilised by injured workers, with family members/support persons comprising of approximately 4% of all referrals. The service is offered face-to-face, telephone based, or a blend of over the phone/online providing support and coaching from cognitive behaviour therapy coaches. The service also includes a specific coaching program for Aboriginal and Torres Strait Islander People, with Indigenous coaches providing support.



## Insurance Risk Management Program

ReturnToWorkSA, in conjunction with our claims agents, continues to work with labour hire employers and their clients to improve injury rates and reduce the duration of claims experienced by on-hire employees. Currently, 119 employers are under review. The labour hire industry has grown in 2021–22 by 10% with claim numbers higher than in 2020–21, yet pleasingly, claims costs for 2021–22 are slightly lower as a result of improved return to work outcomes. The greatest challenge remains employers effectively engaging with their clients to ensure suitable duties are available whilst employees are returning back to full fitness. This program will continue into 2023.

The Employer Risk team works with both claims agents to address safety and injury performance issues with high risk employers. Over 364 employers have been contacted by the team. Employers included in this program have undergone site visits, audits of their safety and injury management systems and claims reviews. Performance improvements in 2021–22 compared to 2020–21 have resulted in cost savings of \$1.5m.

ReturnToWorkSA's work in the healthy workplace space continues. A co-funding agreement was signed with Wellbeing SA to fund a free Healthy Workplace Advisory Service for South Australian businesses. As part of this agreement, ReturnToWorkSA has hired a Healthy Workplace Advisor to work with the transport industry and aged care employers to help them improve workplace health and safety.

In June 2022, ReturnToWorkSA and the Australian Nursing and Midwifery Federation (ANMF) SA Branch launched a partnership to run a two-year Best Practice Guidelines program aimed at reducing injuries among health care workers at residential aged care facilities.

ReturnToWorkSA acknowledges that workplace safety is the key to a viable work injury insurance scheme. We continue to support SafeWork SA with data analytics, young worker safety strategies and workplace silicosis risks. This is complemented by the work ReturnToWorkSA undertakes with interstate work injury insurance schemes around workplace injury prevention.

## Providing free information and advisory services

We fund the Legal Services Commission (LSC) to provide a free, independent information and advisory service to workers about work injury insurance matters and processes.

The service commenced in August 2013, and during 2021–22 the LSC received 344 phone enquiries and conducted 50 advice appointments.

ReturnToWorkSA had a funding agreement with SA Unions' Advocacy Unit, to provide workers compensation advice and representation, including representation at the South Australian Employment Tribunal on applications for review to the conciliation level. From 1 July 2021 until March 2022, SA Unions' Advocacy Unit accepted 103 requests for services, conducted 103 advice conferences and resolved 84 matters at conciliation in the South Australian Employment Tribunal.





# GOAL TWO

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Effective economic operation of the Scheme to contain employers' costs, within reasonable limits.

## Premium management

In 2021–22:

- \$693 million (inclusive of GST and WHS) in insurance premium revenue was collected from more than 56,000 registered employers
- 5,828 businesses ceased registration during the year whilst 7,853 new business registrations were received.

The Return to Work scheme is funded by South Australian employers. ReturnToWorkSA collects a premium from more than 56,000 South Australian businesses to cover their work injury insurance needs. Employers' premiums are a percentage of the remuneration paid to their workforce. The objects and provisions of the Act and the *Return to Work Corporation Act 1994* are clear about ReturnToWorkSA's role as the administrator of the Scheme being required to:

- “ensure that employers costs are contained within reasonable limits so that the impact of work injury on South Australian businesses is minimised” (s 3(2)(b) of the Act)
- “...seek to achieve an average premium rate that does not exceed 2%” (s 137(2) of the Act)
- “...take all reasonable steps to ensure the Scheme mentioned above (the Return to Work scheme) is fully funded.” (s12(e) of the *Return to Work Corporation Act 1994*)

The average premium rate charged in 2021–22 was 1.70%.



## About the insurance premium system

The insurance premium system is designed to be simple, easy to understand and promote a strong injury prevention and return to work focus in the workplace

The key features of the premium system are:

- A simple premium calculation formula that is easy to explain and understand.
- A discount for 'no claims' and good return to work rates applied upfront to the base premium of all employers.
- The cost of income support claims are the only variable component of the premium calculation—employers can influence the amount of premium they pay by focusing on return to work and reducing the occurrence of injuries.
- Large employers can opt in to the Retro Paid Loss (RPL) arrangement. During the 2021–22 year there were 74 RPL employers.



A discount for 'no claims' and good return to work rates applied upfront to the base premium of all employers.

## Our investment program

### Net investment return at 30 June 2022

Past year	Past 3 years	Past 5 years	Past 10 years
-5.0%	2.0%	4.4%	6.8%

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 improved funding and pricing. The long-term return objective is CPI +2.5 per cent.

To enhance and protect the value of our investments over the long-term, we intend to partner with fund managers who integrate Environmental, Social and Governance (ESG) factors into their investment process. We annually review incumbent fund managers' ESG capabilities and engage with incumbent fund managers on a range of matters, including climate change risk and modern slavery. A summary of ESG findings are provided annually to the Board Investment and Finance Committee.

## Climate change risk



In December 2021, ReturnToWorkSA's Board supported the South Australian Government's target of net zero emissions by 2050, acknowledging a commitment to climate science.

ReturnToWorkSA has also begun measuring the investment program's carbon exposure. The carbon metric recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) for Asset Owners is Weighted Average Carbon Intensity (WACI). For the total fund, ReturnToWorkSA's assessed WACI for 2021-22 is 152. While there are various limitations in the data used (limited actual data, estimations and subjectivity), ReturnToWorkSA believes the benefits gained from attempting to quantify the investment program's carbon exposure far outweighs the data limitations.

## Board approved strategic asset allocation

Throughout 2021-22, the Board approved the continuation of the moderate risk, balanced portfolio approach.

## Fraud and investigations

ReturnToWorkSA uses information taken from a variety of sources to detect, deter and, where appropriate, prosecute legislative non-compliance and offending.



ReturnToWorkSA received 157 referrals of suspected fraud in 2021-22. Following triage and analysis of these referrals, 36 investigations were commenced.

### Referrals, investigations & prosecutions

	2018-19	2019-20	2020-21	2021-22
Referrals	189	209	214	157
Investigations	32	50	71	36
Prosecutions	1	0	1	2

In 2021-22, a lower number of claims were referred for fraud investigation. Improvements to claims agent eligibility processes have inadvertently reduced the number of factual investigations conducted by claims agents. The number of matters that proceeded through to prosecution have remained relatively constant.

During the year, ReturnToWorkSA's Fraud Policy was revised to provide greater clarity around what amounts to suspected fraud. To support this, education sessions were provided to our claims agents during 2021-22 to ensure appropriate matters are being identified and referred. Notably, an increase in the quality and substance of matters being considered for prosecution is now occurring.

## Regulating registered employer obligations

ReturnToWorkSA regulates the Scheme through education and enforcement, which involves the investigation of potential breaches of the Act. All employers have the obligation to provide suitable employment and to give 28 days' notice of proposed termination of an injured worker's contract of employment. ReturnToWorkSA has worked closely with our stakeholders during 2021–22 to ensure that potential suitable employment breaches are identified and referred for further investigation.



304 suitable employment investigations were completed in 2021–22, with 79% related to notices of proposed termination for employment from employers.

ReturnToWorkSA applies a robust, evidence-based process to investigate and treat suspected instances of premium non-compliance referred by stakeholders, as well as those identified through a proactive premium compliance and data analytics program. Thirteen completed investigations focused on employers suspected of knowingly avoiding premium obligations. These investigations resulted in \$0.6m of additional premium charged.



ReturnToWorkSA completed 324 employer premium audits in 2021–22, with \$1.9m billed in additional premium.



A pilot project targeted suspected unregistered employers and resulted in 258 new employer registrations and \$0.4m in additional premium being charged.



## Regulating Private and Crown self-insured employers

Self-insured employers are a significant part of the Return to Work scheme. In 2021–22, Crown and Private self-insured employers:



employed approximately 233,005 employees in South Australia, or 27% of the South Australian labour force (as at June 2021)



declared an estimated \$18.5 billion or 36% of total declared remuneration in the prior year



reported 4,671 claims from injuries within the year.

In 2021–22, a large focus of the self-insured team was implementation of new regulation software to support employer oversight, stakeholder engagement and self-insured registration renewal evaluations. The new system was implemented in late 2021 and has also driven improvements to the format of evaluation reports.

The self-insured team have continued to be flexible with regulatory oversight this year as a result of COVID-19, with some evaluations either being partly completed remotely or rescheduled to minimise operational impact on self-insured employers.

In 2021–22, the Crown Injury Management Regulatory Program included an audit of five agencies. Audit outcomes determined the agencies are working adequately to comply with their obligations as

self-insurers. ReturnToWorkSA has also maintained a strong relationship with the Office of the Commissioner for Public Sector Employment to provide ongoing support for Crown agencies with injury management and work health and safety.

As at 30 June 2022, there were 70 private self-insured employers registered in the Scheme. Of the self-insured employers who have completed their initial term of registration, 95% (65 of 68) achieved a renewal for a period of three years or more. This includes 42 (61%) self-insured employers who were granted a five year period of registration.

These positive results continue to reflect the ongoing commitment of self-insurers to successfully fulfil their regulatory obligations under the Act and to achieve leading practice injury management and work health and safety practices.

Private self-insured regulation activities as at 30 June 2022:

- 25 private self-insured renewals were completed.
- 2 new applications for self-insurance were approved.
- 2 employers ceased self-insurance.





## The following private employers were self-insured at 30 June 2022

Accolade Wines Australia Limited	Endeavour Group Limited	Royal Automobile Association of South Australia Inc
Adelaide Brighton Cement Limited	Estia Investments Pty Ltd	Samuel Smith & Son Pty Ltd
Adelaide Community Healthcare Alliance Incorporated	Flinders University	Santos Ltd
Aged Care & Housing Group Inc	Fullarton Lutheran Homes Inc	Schneider Electric (Australia) Pty Ltd
Ahrens Group Pty Ltd	Healthscope Operations Pty Ltd	Silver Chain Group Limited
Anglicare SA Ltd	Helping Hand Aged Care Inc	SkyCity Adelaide Pty Ltd
Arnott's Biscuits Pty Ltd	Holcim (Australia) Holdings Pty Ltd	SMR Automotive Australia Pty Ltd
ASC Pty Ltd	Inghams Enterprises Pty Ltd	Southern Cross Care (SA, NT & VIC) Inc
BHP Group Limited	Intercast & Forge Pty Ltd	St Andrews Hospital Inc
Bluescope Steel Limited	ISS Facility Services Australia Ltd	Teys Australia Naracoorte Pty Ltd
Boral Ltd	James Brown Memorial Trust Inc	The Smith's Snackfood Company Pty Ltd
Bridgestone Australia Ltd	Kimberly Clark Australia Pty Ltd	The University of Adelaide
Catholic Church Endowment Society Inc	Kmart Australia Limited	Thomas Foods International Consolidated Pty Ltd
Churches Of Christ Life Care Inc	Little Company Of Mary Health Care Limited	Toll Holdings Limited
Coca-Cola Amatil (Aust) Pty Ltd	Local Government Association of South Australia	Treasury Wine Estates Vintners Limited
Coles Group Limited	Lutheran Homes Group Inc	University of South Australia
Competitive Foods Australia Pty Ltd	Nationwide News Pty Limited	Utilities Management Pty Ltd
Detmold Packaging Pty Ltd	Nyrstar Port Pirie Pty Ltd	Ventia Australia Pty Ltd
Drakes Supermarkets Pty Ltd	OneSteel Manufacturing Pty Ltd	Veolia Environmental Services (Australia) Pty Ltd
E & A Limited	Pernod Ricard Winemakers Pty Ltd	Viterra Operations Pty Ltd
ECH Inc	Philmac Pty Ltd	Westpac Banking Corporation
Eldercare Australia Ltd	Programmed Maintenance Services Limited	Woolworths Group Ltd
ElectraNet Pty Ltd	Randstad Pty Ltd	
Electrolux Home Products Pty Ltd	Resthaven Incorporated	





# WORKFORCE MANAGEMENT SUMMARY

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## **ReturnToWorkSA workforce strategy**

We recognise that our employees are critical to achieving Scheme goals and enabling customer outcomes. The purpose of our five year workforce strategy is to create an environment that maximises the contribution and potential of our workforce. The strategy is informed by ReturnToWorkSA's 4 core values of respect, integrity, professional excellence and achievement. The strategy addresses the following:

1. attracting and retaining great employees
2. inspiring and empowering employees
3. creating a culture of collective contribution
4. building personal and organisational health and resilience
5. ensuring we have the right capability to deliver our core business now and into the future.

## **ReturnToWorkSA performance management and development systems**

98% of employees have had a performance review in the last 12 months.

## **Work health, safety and return to work programs**

The health, safety and wellbeing of our employees is incredibly important to us. We continue to build a culture where all employees contribute to a workplace characterised by care, inclusion, accountability and collaboration. We maintained a proactive response to COVID-19 and were able to respond quickly and sensitively to changes to community and government requirements, particularly during brief lockdowns. Throughout, we maintained a safe and productive work environment that ensured business continuity and support to our customers.

In 2021–22, our employees engaged in a range of holistic health and wellbeing activities.

Our program offers workshops, activities and information sessions across all five key pillars of holistic wellbeing (health, finance, values, family and community, and work). Many of the programs, and all of our charity fundraising efforts, are led by employees who volunteer their time.

We aspire to achieve exemplary work health and safety practices. As such, we have reviewed our practices and policies against *ISO 45001 Occupational Health and Safety Management System Standard* and the WHS aspects of *ISO 31000 Risk Management Standard* and have developed a 3-year plan to align to these standards.

## Executive employment in the agency

Executive classification	Number of executives
CEO	1
Executives*	6

\*The Office of the Commissioner for Public Sector Employment has a workforce information page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Workplace injury claims	Current year 2021-22	Past year 2020-21
Total new workplace injury claims	1	1
Fatalities	Nil	Nil
Seriously injured workers*	Nil	Nil
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1,000 FTE)	Nil	1

\*number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Act (Part 2 Division 5).

Work health and safety regulations	Current year 2021-22	Past year 2020-21
Number of notifiable incidents ( <i>Work Health and Safety Act 2012 Part 3</i> )	Nil	Nil
Number of provisional improvement and prohibition notices ( <i>Work Health and Safety Act 2012 sections 90, 191 and 195</i> )	Nil	Nil

Return to work costs**	Current year 2021-22	Past year 2020-21
Total gross workers compensation expenditure	\$169,409	\$153,076
Income support payments – gross	\$84,190	\$125,850

\*\*before third party recovery. Return to work costs are a result of prior year claims.

Data for previous years is available at [www.rtwsa.com/about-us/returntoworksa](http://www.rtwsa.com/about-us/returntoworksa).



## Ensuring an inclusive workplace

### Culture of inclusion

In 2021–22, we continued to build on a program of work aimed at developing an approach to cultural inclusion that is specific for ReturnToWorkSA. This encompassed a range of initiatives, including the addition of an Acknowledgement of Country on [www.rtwsa.com](http://www.rtwsa.com) and our staff intranet, the development of a protocols document which outlines methods of engaging with and supporting Aboriginal and Torres Strait Islander customers, and initiating action to develop a Reconciliation Action Plan. We also expanded our suite of inclusion-centred training options for employees and chose to pilot the SBS inclusion program. The SBS program is comprised of seven diversity modules including Core Inclusion, Aboriginal and Torres Strait Islander, LGBTQIA+, Gender, Disability, Culture and Age. We are in the process of working towards rolling this program out to all staff later this year.

### Employment opportunities

ReturnToWorkSA continues to promote all externally advertised job vacancies through Disability Works Australia.

## Disability access and inclusion plans

We have updated our *Disability Access and Inclusion Plan* for 2022–2026. The plan guides our actions to ensure we proactively address the needs of people with a disability. In support of the plan, we:

- ensure disability and access requirements are captured in our key provider and claims agent contracts
- provide information (publications, products and online) in accessible formats, including braille, audio and e-text if requested
- ensure our corporate website, intranet and online services meet appropriate standards (Web Content Accessibility Guidelines 2.0)
- regularly review the accessibility of facilities for people with a disability, including establishing a Personal Emergency Evacuation Plan (PEEP) for employees with a medical condition or disability
- hold a manager inclusion awareness training session each year
- ensure we continue to meet all relevant legislative requirements.

## Reconciliation Action Plan (RAP)

A keystone of achieving cultural safety for Aboriginal and Torres Strait Islander peoples is through the implementation and practice of Reconciliation Action Plans. We are in the initial stages of developing our *Reconciliation Action Plan* (RAP) in partnership with KSJ Consulting, a South Australian Aboriginal owned and operated business.

# CORPORATE GOVERNANCE AND ADMINISTRATION

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## Corporate governance

### ReturnToWorkSA Board

ReturnToWorkSA has a Board of seven members who are appointed by the Governor of South Australia on the recommendation of the Minister for Industrial Relations and Public Sector.

The Board's role is to set and approve our overall direction and strategy for achievement of Scheme and organisational objectives.

Board sub-committees also meet on a regular basis to fulfil their obligations in specialist areas.

As at 30 June 2022, the ReturnToWorkSA Board comprised:

- Greg McCarthy, Chairman
- Hon John R Rau SC
- Yvonne Sneddon
- Chris Latham
- A/Prof William Griggs, AM, ASM
- Elizabeth Perry, AM
- Narelle Borda

## Executive Leadership Team

Our Chief Executive Officer is appointed by the Board to oversee the day-to-day operations of our organisation, together with the Executive Leadership Team.

The Executive Leadership Team, as at 30 June 2022, comprised:

- Michael Francis, Chief Executive Officer
- Declan Collins, Chief Operating Officer Insurance
- Des Quirk, Chief Financial Officer
- James Large, Executive Leader Regulation
- Kerryn Hendy, Executive Leader Technology Systems and Service
- Jas Rieck, Executive Leader People and Communications
- John O'Loughlin, Leader Legal Services

## Risk management

In order for us to achieve our objectives, it is critical that risks are identified, understood by all in the organisation 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 ReturnToWorkSA, and to prioritise areas of higher risk.

Internal auditing services are provided by KPMG who report to the ReturnToWorkSA Board Audit and Risk Committee.

In 2021–22, no instances of internal fraud were detected.

## Cyber security

Given the sensitive nature of the services we provide to South Australian businesses and the private information we interact with, cyber security is an integral part of our end-to-end business operations. It is important that we ensure the confidentiality and integrity of our processes and in securing sensitive information from unauthorised access—a responsibility we take seriously.

The cyber threat landscape is ever-changing, with increases in computer power and continued ubiquity of technology further empowering malicious actors targeting individuals and businesses. This is evident through the increasing sophistication of attack methods and most concerning, a drastic reduction in attack times with the widespread use of automation adopted by most malicious actors.

To combat this increasing threat, we continue to mature our internal cyber security capability through a process of continuous improvement to adapt with the changing threat landscape. Our team continues to grow with the inclusion of a new analyst, providing resources to allow for further strategic and transformational initiatives.

As part of the South Australian Cyber Security Framework (SACSF) attestation process, we have selected five strategic priorities for the FY23 period, focusing on the following areas:

- cloud computing
- incident management
- supplier management
- mobile device management
- secure software development.

In addition, some highlights from the past 12 months include:

- Implemented a next-generation Endpoint Detection & Response (EDR) platform, providing increased protection and visibility across our network environments.
- Continued improvement of our email filtering controls through fine tuning of existing policies and inclusion of contextual banners within emails with malicious indicators, providing end-users with potential red-flags at a glance.
- Maintained and improved upon our ongoing program of cyber security awareness activities for our staff and claims agents, including awareness videos, phishing exercises, and a range of more interactive forums and presentations. The objective of these activities is to ensure our staff are aware of the current threat landscape and are comfortable identifying threats.
- Embedded our third party risk management platform within our internal processes, which is in active use for procurement and on-going vendor management.
- Matured our processes surrounding the response to cyber security incidents and close calls, particularly where a South Australian business or provider has been compromised.
- Continued existing compliance activities as part of our Cyber Security Program of work to ensure we meet our obligations within the SACSF, as well as internal and external audits of our cyber security controls by independent third parties.

No cyber security breaches were detected in the past year, with the team remaining busy responding to a steady stream of critical vulnerabilities and attempted breaches across the year.



## Administrative matters

### Access to information

In 2021–22, access to information held by ReturnToWorkSA was obtained under section 180 of 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 a right to access 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 2021–22, 1,478 applications were received for access to information. Of these, 1,228 (83%) were lodged under section 180 of the Act (2020–21: 1,234) and 250 (17%) under the FOI Act (2022–21: 243).

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 2021–22, we received three internal reviews under section 180 of the Act and four internal reviews under the FOI Act. There were four external reviews lodged in 2021–22.

Further information about freedom of information can be found at [www.rtwsa.com](http://www.rtwsa.com).

### Public Interest Disclosure Act

We maintain three responsible officers for the purpose of administering the *Public Interest Disclosure Act 2018* (PID) under Part 3 of the *Public Sector Act 2009*.

In 2021–22, there were no instances of disclosure of public interest information to a responsible ReturnToWorkSA officer under the PID.

### Contractual arrangements

Information regarding ReturnToWorkSA contracts can be requested by contacting the Freedom of Information Officer listed on the South Australian Tenders and Contracts website ([www.tenders.sa.gov.au](http://www.tenders.sa.gov.au)).

### Consultants

Consultancy	Purpose of consultancy	Number	\$
<b>Total under \$10,000</b>		<b>1</b>	<b>9,450</b>
<b>Total over \$10,000</b>		<b>11</b>	<b>3,111,580</b>
ADIIS Group	Consultancy Advice		
Deloitte	Consultancy Advice		
Escient	Consultancy Advice		
Finity	Actuarial Advice		
Frontier Advisors	Investment Consulting		
Kindling Solutions	Consultancy Advice		
PriceWaterhouseCoopers	Consultancy Advice		
Richard Dennis	Consultancy Advice		
KG & Co Consulting	Consultancy Advice		
KPMG	Consultancy Advice		
Willis Towers Watson	Investment Consulting		
<b>Total</b>		<b>12</b>	<b>3,121,030</b>



# FINANCIAL STATEMENTS

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# **ReturnToWorkSA**

ABN 83 687 563 395

## **Annual financial report for the year ended 30 June 2022**

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# ReturnToWorkSA

## Annual financial report – 30 June 2022

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**ReturnToWorkSA**  
**Statement of Comprehensive Income**  
*For the year ended 30 June 2022*

	Notes	2022 \$'000	2021 \$'000
Premium Revenue	8a	617,193	533,365
Cost of claims	9	(248,532)	(1,235,128)
Claims management fees		(70,876)	(66,108)
Tribunal and ombudsman fees	12	(7,982)	(8,761)
<b>Underwriting result</b>		<b>289,803</b>	<b>(776,632)</b>
Net investment profit/(loss)	8b	(190,779)	399,369
Self-insured employer fee	8c	12,342	11,909
Other income		351	269
<b>Net investment profit/(loss) and other income</b>		<b>(178,086)</b>	<b>411,547</b>
General operating expenses	13	(57,948)	(53,753)
Finance costs	15	(24)	(78)
<b>Total operating expenses</b>		<b>(57,972)</b>	<b>(53,831)</b>
<b>Operating profit/(loss) before tax equivalents</b>		<b>53,745</b>	<b>(418,916)</b>
Tax equivalents	16	-	-
<b>Total comprehensive result</b>		<b>53,745</b>	<b>(418,916)</b>

*The accompanying notes form part of these financial statements. The total comprehensive result is attributable to the SA Government as owner.*

**ReturnToWorkSA**  
**Statement of Financial Position**  
*As at 30 June 2022*

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	<b>Notes</b>	<b>2022</b> \$'000	2021 \$'000
<b>Assets</b>			
Trade and other receivables	20	88,453	81,360
Investments	28	3,704,708	3,896,221
Property, plant and equipment	21	1,227	2,341
Right-of-use assets	22	7,020	2,198
Total assets		<u>3,801,408</u>	<u>3,982,120</u>
<b>Liabilities</b>			
Trade and other payables	24	21,366	19,435
Outstanding claims	10, 11	4,061,146	4,301,344
Lease liabilities	25	7,020	2,336
Liability for employee benefits	17	6,820	7,694
Total liabilities		<u>4,096,352</u>	<u>4,330,809</u>
<b>Net assets/(liabilities)</b>		<u>(294,944)</u>	<u>(348,689)</u>
<b>Equity</b>			
Retained earnings		<u>(294,944)</u>	<u>(348,689)</u>
Total equity		<u>(294,944)</u>	<u>(348,689)</u>

*The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.*

**ReturnToWorkSA**  
**Statement of Changes in Equity**  
*For the year ended 30 June 2022*

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	<b>Retained earnings \$'000</b>
Total equity at 1 July 2020	70,227
Total comprehensive result	<u>(418,916)</u>
Total equity at 30 June 2021	<u>(348,689)</u>
<b>Total equity at 1 July 2021</b>	<b>(348,689)</b>
<b>Total comprehensive result</b>	<b><u>53,745</u></b>
<b>Total equity at 30 June 2022</b>	<b><u>(294,944)</u></b>

*The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.*

**ReturnToWorkSA**  
**Statement of Cash Flows**  
*For the year ended 30 June 2022*

	2022	2021
	Inflows (Outflows)	Inflows (Outflows)
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Premium receipts	687,537	596,179
Claim recoveries	13,801	13,147
Other receipts	316	296
Claim and other related payments	(519,465)	(473,766)
Interest received	28,823	29,406
Dividends received	57,710	78,539
Other payments to suppliers and employees	(133,991)	(121,133)
GST	(45,976)	(40,981)
Interest paid	(24)	(78)
Investment expenses	(6,572)	(6,020)
<b>Net cash flows from/(used in) operating activities</b>	<b>82,159</b>	<b>75,589</b>
27		
<b>Cash flows from investing activities</b>		
Proceeds from the sale of investments	527,684	1,126,257
Acquisition of property, plant and equipment	(41)	(1,774)
Acquisition of investments	(601,630)	(1,231,641)
<b>Net cash flows from/(used in) investing activities</b>	<b>(73,987)</b>	<b>(107,158)</b>
<b>Cash flows from financing activities</b>		
Repayment of principal portion of lease liabilities	(2,318)	(2,188)
<b>Net cash flows from/(used in) financing activities</b>	<b>(2,318)</b>	<b>(2,188)</b>
Net increase/(decrease) in cash and cash equivalents	5,854	(33,757)
Cash and cash equivalents at the beginning of the period	180,828	214,585
Cash and cash equivalents at the end of the reporting period	186,682	180,828
19		

*The accompanying notes form part of these financial statements.*

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

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# ReturnToWorkSA

## Notes to and forming part of the financial statements

### 30 June 2022

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#### **Note 1 Reporting entity and objectives**

ReturnToWorkSA (RTWSA), the principal trading name of the Return to Work Corporation of South Australia, is a not-for-profit 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).

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 it 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 schedule 2 of the Work Health and Safety Act 2012.

#### **Note 2 Statement of compliance**

These financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the Public Finance and Audit Act 1987;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the Public Finance and Audit Act 1987; and
- relevant Australian Accounting Standards.

# ReturnToWorkSA

## Notes to and forming part of the financial statements

### 30 June 2022

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#### **Note 3 Basis of preparation**

The financial statements have been prepared based on a twelve month reporting period and are presented in Australian currency.

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. The coverage provided is similar in nature to general insurance and accordingly the accounting standard AASB 1023 'General Insurance Contracts' is applied. RTWSA operates solely in the State of South Australia.

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, 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.

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.

#### **Note 4 Use of judgements and estimates**

RTWSA makes estimates and assumptions concerning the future. The resulting accounting estimates will 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 the 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 19.3% for the Compensation Fund (2021: 16.5%) and 10.5% for the Statutory Reserve Fund and the Insurance Assistance Fund (2021: 10.5%) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 45.0% (2021: 45.0%) at 75.0% (2021: 75.0%) probability of sufficiency as approved by the Board. The risk margins were determined based on advice from Finity Consulting Pty Limited.

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 outstanding liability for the Mining and Quarrying Industries Fund, which had its triennial valuation at 30 June 2022, 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.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

**Note 4 Use of judgements and estimates (continued)**

*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.

**Note 5 Reporting by fund**

(a) Statement of Comprehensive Income for the year ended 30 June 2022

	Compensation Fund \$'000	Statutory Fund \$'000	Assistance Fund \$'000	Mining & Quarrying Industries Fund		<b>2022</b> <b>Total</b> <b>Funds</b> <b>\$'000</b>	2021 Total Funds \$'000
				Part A \$'000	Part B \$'000		
				Premium revenue	617,193		
Cost of claims	(255,487)	6,932	23	-	-	<b>(248,532)</b>	(1,235,128)
Claims management fees	(70,876)	-	-	-	-	<b>(70,876)</b>	(66,108)
Tribunal and ombudsman fees	(7,982)	-	-	-	-	<b>(7,982)</b>	(8,761)
<b>Underwriting Result</b>	<b>282,848</b>	<b>6,932</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>289,803</b>	(776,632)
Net investment profit	(178,322)	(10,087)	(1,635)	(19)	(716)	<b>(190,779)</b>	399,369
Self-insured employer fee	12,342	-	-	-	-	<b>12,342</b>	11,909
Other income	351	-	-	-	-	<b>351</b>	269
<b>Net investment profit and other income</b>	<b>(165,629)</b>	<b>(10,087)</b>	<b>(1,635)</b>	<b>(19)</b>	<b>(716)</b>	<b>(178,086)</b>	411,547
General operating expenses	(57,259)	-	-	-	(689)	<b>(57,948)</b>	(53,753)
Finance costs	(24)	-	-	-	-	<b>(24)</b>	(78)
<b>Total operating expenses</b>	<b>(57,283)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(689)</b>	<b>(57,972)</b>	(53,831)
<b>Operating profit/(loss) before tax equivalents</b>	<b>59,936</b>	<b>(3,155)</b>	<b>(1,612)</b>	<b>(19)</b>	<b>(1,405)</b>	<b>53,745</b>	(418,916)
Tax equivalents	-	-	-	-	-	-	-
<b>Total comprehensive result</b>	<b>59,936</b>	<b>(3,155)</b>	<b>(1,612)</b>	<b>(19)</b>	<b>(1,405)</b>	<b>53,745</b>	(418,916)

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

**Note 5 Reporting by fund (continued)**

(b) Statement of Financial Position as at 30 June 2022

	Compensation Fund \$'000	Statutory Fund \$'000	Assistance Fund \$'000	Mining & Quarrying Industries Fund		<b>2022</b> <b>Total</b> <b>Funds</b> <b>\$'000</b>	2021 Total Funds \$'000
				Part A	Part B		
				\$'000	\$'000		
<b>Assets</b>							
Trade and other receivables	88,433	-	-	-	20	<b>88,453</b>	81,360
Investments	3,467,169	192,407	31,173	363	13,596	<b>3,704,708</b>	3,896,221
Property, plant and equipment	1,227	-	-	-	-	<b>1,227</b>	2,341
Right-of-use assets	7,020	-	-	-	-	<b>7,020</b>	2,198
<b>Total assets</b>	<b>3,563,849</b>	<b>192,407</b>	<b>31,173</b>	<b>363</b>	<b>13,616</b>	<b>3,801,408</b>	<b>3,982,120</b>
<b>Liabilities</b>							
Trade and other payables	21,366	-	-	-	-	<b>21,366</b>	19,435
Outstanding claims	4,009,519	51,395	132	100	-	<b>4,061,146</b>	4,301,344
Lease liabilities	7,020	-	-	-	-	<b>7,020</b>	2,336
Liability for employee benefits	6,820	-	-	-	-	<b>6,820</b>	7,694
<b>Total liabilities</b>	<b>4,044,725</b>	<b>51,395</b>	<b>132</b>	<b>100</b>	<b>-</b>	<b>4,096,352</b>	<b>4,330,809</b>
<b>Net assets/(liabilities)</b>	<b>(480,876)</b>	<b>141,012</b>	<b>31,041</b>	<b>263</b>	<b>13,616</b>	<b>(294,944)</b>	<b>(348,689)</b>
<b>Equity</b>							
Retained earnings	(480,876)	141,012	31,041	263	13,616	<b>(294,944)</b>	(348,689)
<b>Total equity</b>	<b>(480,876)</b>	<b>141,012</b>	<b>31,041</b>	<b>263</b>	<b>13,616</b>	<b>(294,944)</b>	<b>(348,689)</b>

**Note 6 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.

	<b>2022</b> <b>\$'000</b>	2021 \$'000
Funded position	<b>(294,944)</b>	(348,689)
Funding percentage	<b>92.8%</b>	91.9%

The mechanism for managing the funding position is the Average Premium Rate. Each year the Average Premium Rate for the Compensation Fund 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.

**Note 7 Impact of COVID-19 pandemic**

The COVID-19 pandemic continued to impact on the operations of RTWSA during the year and the impacts are included under the relevant disclosure notes. None of the impacts were material in the current year, while the main impact in 2020-21 was reduced growth in remuneration and premium.

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**Note 8 Income**

(a) Premium revenue

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Registered employer premium	<b>617,194</b>	533,380
Fines and penalties	<b>(1)</b>	(15)
<b>Premium revenue</b>	<b>617,193</b>	533,365

*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 24).

(b) Net investment profit/(loss)

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Dividends	<b>57,710</b>	78,539
Interest received	<b>28,823</b>	29,406
Change in the net market values:		
Investments held at the end of financial year - unrealised	<b>(227,668)</b>	177,528
Investments sold during the financial year - realised	<b>(43,645)</b>	119,369
Investment profit/(loss)	<b>(184,780)</b>	404,842
Investment expenses	<b>(5,999)</b>	(5,473)
<b>Net investment profit/(loss)</b>	<b>(190,779)</b>	399,369

*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

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Self-insured employer fee - SA Government	<b>5,563</b>	5,414
Self-insured employer fee - non-SA Government	<b>6,779</b>	6,495
<b>Self-insured employer fee</b>	<b>12,342</b>	11,909

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**Note 9 Cost of claims**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Income support	<b>169,308</b>	172,254
Redemptions	<b>839</b>	(45)
Lump sum payments	<b>136,374</b>	109,554
Hospital treatment	<b>17,324</b>	16,405
Medical treatment	<b>84,249</b>	79,001
Vocational rehabilitation	<b>10,275</b>	12,059
Physiotherapy	<b>11,351</b>	11,278
Legal costs	<b>44,936</b>	38,645
Other	<b>25,251</b>	21,909
Claims paid	<b>499,907</b>	461,060
Less recoveries from other parties	<b>(12,546)</b>	(11,952)
Net claims paid	<b>487,361</b>	449,108
Increase/(decrease) in net outstanding claims liability	<b>(242,649)</b>	787,565
Net self-insurer settlements	<b>3,820</b>	(1,545)
<b>Cost of claims</b>	<b>248,532</b>	1,235,128

*Claim recoveries*

Claim 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.

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**Note 10 Outstanding claims liability – Compensation Fund**

(a) Outstanding claims

	Notes	2022 \$'000	2021 \$'000
Expected future gross claims payments (undiscounted)		6,236,175	5,811,675
Discount to present value		(2,875,304)	(2,170,785)
<b>Central estimate</b>		<b>3,360,871</b>	3,640,890
Risk margin		<b>648,648</b>	600,747
<b>Liability for outstanding claims</b>		<b>4,009,519</b>	4,241,637
Recoveries	20	<b>(86,639)</b>	(84,188)
<b>Net liability for outstanding claims</b>		<b>3,922,880</b>	4,157,449
Current liability for outstanding claims		<b>649,322</b>	509,872
Non-current liability for outstanding claims		<b>3,360,197</b>	3,731,765
<b>Total liability for outstanding claims</b>		<b>4,009,519</b>	4,241,637
Change in liability for outstanding claims		<b>(232,118)</b>	802,097
Change in claim recoveries receivable		<b>(2,451)</b>	(9,264)
<b>Movement in net outstanding claims liability</b>		<b>(234,569)</b>	792,833
Weighted average expected term to settlement		<b>12.0 years</b>	15.0 years

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 302, 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. The addition of the risk margin brings the estimate of claims to a 75% (2021: 75%) 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 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 Limited. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 19.3% (2021: 16.5%) to bring the estimated net liability to a 75% (2021: 75%) probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on the actuary's estimate. If the timing of claim payment cash flows varies from the actuary's projection then the proportions of the overall claims liability that are shown as current and non-current will vary.

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**Note 10 Outstanding claims liability – Compensation Fund (continued)**

**(a) Outstanding claims (continued)**

The 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).

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 increase in the average discount rate from 2.40% at 30 June 2021 to 3.91% at 30 June 2022.

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

**(b) Net claims incurred**

	Current year \$'000	Prior years \$'000	<b>2022 Total \$'000</b>	Current year \$'000	Prior years \$'000	2021 Total \$'000
<b>Undiscounted</b>						
Gross incurred	1,241,968	(1,124)	<b>1,240,844</b>	1,165,766	1,281,327	2,447,093
Recoveries	(17,821)	(5,966)	<b>(23,787)</b>	(15,427)	(7,989)	(23,416)
Net incurred	<u>1,224,147</u>	<u>(7,090)</u>	<b><u>1,217,057</u></b>	<u>1,150,339</u>	<u>1,273,338</u>	<u>2,423,677</u>
<b>Discounted</b>						
Gross incurred	803,421	(463,849)	<b>339,572</b>	835,764	493,057	1,328,821
Recoveries	(15,540)	(2,059)	<b>(17,599)</b>	(14,976)	(8,159)	(23,135)
Net incurred	<u>787,881</u>	<u>(465,908)</u>	<b><u>321,973</u></b>	<u>820,788</u>	<u>484,898</u>	<u>1,305,686</u>
<b>Discount and discount movement</b>						
Gross incurred	(438,547)	(462,725)	<b>(901,272)</b>	(330,002)	(788,270)	(1,118,272)
Recoveries	2,281	3,907	<b>6,188</b>	451	(170)	281
Net discount movement	<u>(436,266)</u>	<u>(458,818)</u>	<b><u>(895,084)</u></b>	<u>(329,551)</u>	<u>(788,440)</u>	<u>(1,117,991)</u>

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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**Note 10 Outstanding claims liability – Compensation Fund (continued)**

(c) Claims development

The table below shows the development of incurred cost on net outstanding claims relative to the ultimate expected estimate over the past eleven financial years.

	Prior years*	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	Year ended 30 June 2017 \$'000	Year ended 30 June 2018 \$'000	Year ended 30 June 2019 \$'000	Year ended 30 June 2020 \$'000	Year ended 30 June 2021 \$'000	Year ended 30 June 2022 \$'000
<b>Estimate of ultimate claims cost**</b>												
At the end of the year		7,643,814	665,173	574,982	353,734	406,719	411,384	421,395	534,781	563,788	637,576	596,452
One year later		7,818,752	602,689	403,139	373,333	407,683	407,585	466,182	578,043	622,625	588,872	-
Two years later		7,808,876	435,366	400,500	339,167	409,268	436,585	473,493	644,584	579,956	-	-
Three years later		7,807,233	415,185	448,842	364,907	422,385	462,185	582,935	629,443	-	-	-
Four years later		7,281,835	416,116	433,620	384,569	422,591	521,700	558,439	-	-	-	-
Five years later		7,314,659	413,940	426,533	419,405	468,244	497,636	-	-	-	-	-
Six years later		7,218,876	415,322	446,462	432,706	449,187	-	-	-	-	-	-
Seven years later		7,316,941	431,659	410,852	382,424	-	-	-	-	-	-	-
Eight years later		7,323,716	424,538	447,763	-	-	-	-	-	-	-	-
Nine years later		7,308,714	434,123	426,511	-	-	-	-	-	-	-	-
Ten years later		7,306,661	419,096	-	-	-	-	-	-	-	-	-
Eleven years later		7,245,072	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims costs**		7,245,072	419,096	426,511	393,610	382,424	449,187	497,636	629,443	579,956	588,872	596,452
Cumulative payments**		6,953,924	357,993	351,281	273,876	312,101	308,094	316,982	336,100	278,837	198,125	75,382
Outstanding payments**		291,148	61,103	80,477	108,548	137,086	189,542	241,457	293,343	301,119	390,747	521,070
Discount adjustment***		207,047	13,075	12,296	10,310	10,277	10,292	9,294	6,789	2,471	713	603
<b>Net outstanding claims</b>		<b>498,195</b>	<b>74,178</b>	<b>87,526</b>	<b>119,438</b>	<b>147,363</b>	<b>199,834</b>	<b>250,751</b>	<b>300,132</b>	<b>303,590</b>	<b>391,460</b>	<b>521,673</b>

\* Development of incurred cost estimate for accidents prior to 30 June 2011 since 30 June 2011.

\*\* 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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**Note 10 Outstanding claims liability – Compensation Fund (continued)**

**(C) Claims development (continued)**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Prior years	<b>498,195</b>	631,925
Year ended 30 June 2012	<b>74,178</b>	97,721
Year ended 30 June 2013	<b>87,526</b>	118,785
Year ended 30 June 2014	<b>90,787</b>	116,964
Year ended 30 June 2015	<b>119,438</b>	182,656
Year ended 30 June 2016	<b>147,363</b>	193,992
Year ended 30 June 2017	<b>199,834</b>	255,149
Year ended 30 June 2018	<b>250,751</b>	313,736
Year ended 30 June 2019	<b>300,132</b>	365,669
Year ended 30 June 2020	<b>303,590</b>	418,769
Year ended 30 June 2021	<b>391,460</b>	563,362
Year ended 30 June 2022	<b>521,673</b>	-
Net outstanding claims	<b>2,984,927</b>	3,258,728
Claims handling expenses	<b>303,321</b>	309,898
Risk margin	<b>634,632</b>	588,823
Net liability for outstanding claims	<b>3,922,880</b>	4,157,449

**(d) Maturity profile**

	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
2022	628,775	763,013	412,505	589,926	692,055	836,606	3,922,880
2021	488,535	684,164	356,681	571,799	812,620	1,243,650	4,157,449

**(e) Key assumptions**

The key assumptions used by Finity Consulting Pty Limited 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:

	<b>2022</b>	2021
Economic assumptions		
Inflation rate - income support	0.00% to 3.00%	0.00% to 2.80%
Inflation rate - medical, legal and other costs	2.30% to 5.00%	1.50% to 2.90%
Superimposed inflation rate - medical payments	0.00% to 2.00%	0.00% to 2.00%
Superimposed inflation rate - other	0.00% to 9.00%	0.00% to 2.00%
Discount rate	3.91%	2.40%
Duration and severity of claims	Refer below	Refer below
Claims handling expenses	9.90%	9.30%
Risk margin	19.30%	16.50%

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**Note 10 Outstanding claims liability – Compensation Fund (continued)**

**(e) Key assumptions (continued)**

Finity Consulting Pty Limited 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
- 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.

On 28 July 2022 the Return to Work (Scheme Sustainability) Amendment Act 2022 was proclaimed. The Amendment Act:

- codifies the approach to combining injuries
- increases the threshold for accessing serious injury benefits from 30% to 35% WPI for physical injury claims
- allows serious injury claimants to elect to receive a section 56 economic loss lump sum payment instead of ongoing income support
- allows for a redemption of medical expenses on serious injury claims.

The outstanding claims liability valuation reflects changes arising from the Amendment Act.

While the overall impact of the Amendment Act was a reduction in the outstanding claims liability there is significant uncertainty on how the reforms will operate in practice. As a consequence the risk margin to bring the estimated claims liability to a 75% probability of sufficiency as at 30 June 2022 has increased to 19.3% compared to 16.5% last year.

**(f) Sensitivity to changes in key assumptions**

The sensitivity of the discounted net outstanding claims estimate and profit/(loss) impact at the 75th 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 (2% gap between inflation and discount rate)	(394)	(10%)
Weak economic conditions (-1% gap)	519	13%
Duration and severity of claims		
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	356	9%
Impact of removing mortality loadings for catastrophic claims	402	10%
Reforms only cut out 10% of SI claims for a new accident year, combined with an assessment rush pre 1 January 2023 that means more claims remain covered by the current 30% SI	300	8%

In conducting its valuation Finity Consulting Pty Limited 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.

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**Note 11 Outstanding claims liability – Other Funds**

(a) Outstanding claims – SRF and IAF

	SRF	IAF	2022 Combined	2021 Combined
	\$'000	\$'000	\$'000	\$'000
Open claims	1,839	-	<b>1,839</b>	1,434
Total incurred but not yet reported (IBNR)	31,267	84	<b>31,351</b>	36,796
Claims handling expenses	2,814	7	<b>2,821</b>	3,249
Central estimate	35,920	91	<b>36,011</b>	41,479
Risk margin	15,475	41	<b>15,516</b>	18,128
<b>Net liability for outstanding claims</b>	<b>51,395</b>	<b>132</b>	<b>51,527</b>	<b>59,607</b>

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 75% (2021: 75%) 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 2022 due to exposure prior to 30 June 2022. 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 Limited 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

	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
2022	2,943	5,327	6,001	13,574	18,199	5,483	51,527
2021	2,449	5,346	6,179	14,788	21,120	9,725	59,607

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**Note 11 Outstanding claims liability – Other Funds (continued)**

**(c) Movement in liability – SRF and IAF**

	SRF			IAF		
	2022 \$'000	2021 \$'000	Change \$'000	2022 \$'000	2021 \$'000	Change \$'000
<b>Asbestos-related</b>						
Reported	1,336	980	356	-	-	-
IBNR / re-opened claims	31,236	36,654	(5,418)	84	99	(15)
	<u>32,572</u>	<u>37,634</u>	<u>(5,062)</u>	<u>84</u>	<u>99</u>	<u>(15)</u>
<b>Non-asbestos-related</b>						
Reported	503	454	49	-	-	-
IBNR / re-opened claims	31	43	(12)	-	-	-
	<u>534</u>	<u>497</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>
Central estimate	33,106	38,131	(5,025)	84	99	(15)
Claims handling expenses	2,814	3,241	(427)	7	8	(1)
Risk margin	15,475	18,080	(2,605)	41	48	(7)
Total outstanding claims liability	<u>51,395</u>	<u>59,452</u>	<u>(8,057)</u>	<u>132</u>	<u>155</u>	<u>(23)</u>

**(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.

	2022	2021
Inflation rate		
asbestos claims	5.25%	4.50%
non-asbestos claims	3.25%	2.50%
Discount rate	3.80%	1.87%
Claim handling expenses	8.50%	8.50%
Risk margin		
reported claims	10.50%	10.50%
IBNR claims	45.00%	45.00%

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**

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 2022 triennial valuation undertaken by Finity Consulting Pty Limited 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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**Note 11 Outstanding claims liability – Other Funds (continued)**

(g) Summary of Other Funds

	2022	2021
	\$'000	\$'000
Statutory Reserve Fund	51,395	59,452
Insurance Assistance Fund	132	155
Mining and Quarrying Industries Fund	100	100
Net liability for outstanding claims	<u>51,627</u>	<u>59,707</u>
Current liability for outstanding claims	2,943	2,450
Non-current liability for outstanding claims	48,684	57,257
Total liability for outstanding claims	<u>51,627</u>	<u>59,707</u>
Change in liability for outstanding claims	<u>(8,080)</u>	<u>(5,268)</u>

**Note 12 Tribunal and ombudsman fees**

	2022	2021
	\$'000	\$'000
South Australian Employment Tribunal	7,621	8,407
Ombudsman funding	361	354
<b>Total tribunal and ombudsman fees</b>	<u>7,982</u>	<u>8,761</u>

**Note 13 General operating expenses**

	Notes	2022	2021
		\$'000	\$'000
Employee benefits	17	33,073	31,679
Depreciation and amortisation	14	3,331	3,079
Loss on disposal of non-current assets		-	1
Other operating costs		21,544	18,994
<b>Total general operating expenses</b>		<u>57,948</u>	<u>53,753</u>

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$435,800 (2021: \$414,400). No other services were provided by the Auditor-General's Department.

The number and dollar amount of consultancies paid/payable (included in general operating expenses) fell within the following band:

	No.	2022	No.	2021
		\$'000		\$'000
Below \$10,000	1	9	-	-
\$10,000 or above	11	3,112	7	1,785
<b>Total</b>	<u>12</u>	<u>3,121</u>	<u>7</u>	<u>1,785</u>

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**Note 14 Depreciation and amortisation**

	<b>2022</b>	2021
<b>Notes</b>	<b>\$'000</b>	\$'000
Leasehold improvements including office furniture and fittings	<b>636</b>	678
Computer, communications and general office equipment	<b>515</b>	214
Right-of-use land and buildings	<b>2,126</b>	2,126
Right-of-use motor vehicles	<b>54</b>	61
<b>Total depreciation and amortisation</b>	<b>13 3,331</b>	3,079

**Note 15 Finance costs**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Interest and finance charges paid/payable for lease liabilities	<b>24</b>	78
<b>Finance costs</b>	<b>24</b>	78

**Note 16 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 Return to Work Corporation of South Australia Act 1994 restricts the application of tax equivalents to financial years in which RTWSA has achieved a funding level of at least 100% (with its outstanding claims liabilities at a 75% probability of sufficiency) and it has achieved a profit from insurance operations. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires the corporate income tax rate (30%) to be applied to the operating 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.

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**Note 17 Employee benefits**

	<b>2022</b>	2021
<b>Notes</b>	<b>\$'000</b>	\$'000
Salaries and wages	<b>29,287</b>	28,272
Long service leave	<b>(18)</b>	88
Annual leave	<b>783</b>	659
Skills and experience retention leave	<b>77</b>	70
Employment on-costs - superannuation	<b>2,944</b>	2,590
<b>Total employee benefits expenses</b>	<b>13 33,073</b>	<b>31,679</b>

**(a) Key management personnel**

RTWSA key leadership personnel include the Minister, Board members, the Chief Executive Officer and members of the Executive Team. The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account under section 6 the Parliamentary Remuneration Act 1990.

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Compensation</b>		
Salaries and other short-term employee benefits	<b>2,325</b>	2,421
Post-employment benefits	<b>221</b>	230
<b>Total</b>	<b>2,546</b>	2,651

**(b) Remuneration of Employees**

	<b>2022</b>	2021
	<b>No.</b>	No.
<b>The number of employees whose remuneration received or receivable falls within the following bands</b>		
\$154,001 to \$157,000*	<b>N/A</b>	1
\$157,001 to \$177,000	<b>14</b>	14
\$177,001 to \$197,000	<b>10</b>	6
\$197,001 to \$217,000	<b>5</b>	-
\$217,001 to \$237,000	<b>2</b>	2
\$257,001 to \$277,000	<b>3</b>	3
\$277,001 to \$297,000	<b>-</b>	1
\$297,001 to \$317,000	<b>-</b>	2
\$317,001 to \$337,000	<b>1</b>	1
\$337,001 to \$357,000	<b>1</b>	1
\$437,001 to \$457,000	<b>-</b>	1
\$457,001 to \$477,000	<b>1</b>	-
<b>Total</b>	<b>37</b>	<b>32</b>

\*This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2020-21.

The total remuneration received by those employees for the year was \$7.6 million (2021: \$6.8 million).

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**Note 17 Employee benefits (continued)**

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects 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, as well as any termination benefits for employees who have left RTWSA.

**(c) Liability for employee benefits**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Current</b>		
Accrued salaries and wages	-	703
Annual leave	<b>2,770</b>	2,420
Skills and experience retention leave	<b>82</b>	65
Long service leave	<b>2,507</b>	2,586
	<b>5,359</b>	5,774
<b>Non-current</b>		
Long service leave	<b>1,461</b>	1,920
	<b>6,820</b>	7,694

Employee benefits - wages, salaries, skills and experience retention leave, annual leave and long service leave, accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

The liability of salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability are expected to be payable in full within 12 months and are measured at the undiscounted amount expected to be paid.

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 actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and 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.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 1.25% at 30 June 2021 to 3.50% at 30 June 2022. This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The salary inflation rate used in the actuarial assessment performed by the Department of Treasury and Finance was 2.50% at 30 June 2021 and 30 June 2022 for long service leave liability.

The net financial impact of the changes to actuarial assumptions in the current financial year is a decrease in the long service liability of \$0.7 million and employee benefits expense of \$0.8 million. The impact of future periods is impracticable to estimate as the long service leave is calculated using a number of demographical and financial assumptions, including the long-term discount rate.

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**Note 17 Employee benefits (continued)**

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.

**(d) Related party transactions**

RTWSA is a statutory authority and is wholly owned and controlled by the South Australian Government. Related parties of RTWSA include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

**Note 18 Remuneration of board and committee members**

Board members during the financial year ended 30 June 2022 were:

Member	Board	Appointed / Resigned	Investment & Finance Committee	Audit & Risk Committee	Human Resources Committee	Technology Committee
Ms. N Borda	Member	Appointed 1 Nov 21	-	-	-	Member
Mrs. J Denley	Member	Resigned 31 Oct 21	-	-	-	-
Dr. W Griggs	Member		Member	-	-	Member
Mr. C Latham	Member		Chair	Member	-	-
Mr. N McBride	Member	Resigned 31 Oct 21	-	-	-	-
Mr. G McCarthy	Chair		Member	-	Member	Chair
Ms. E Perry	Member		-	Member	Chair	-
Mr. J Rau	Member	Appointed 1 Nov 21	Member	-	-	-
Ms. Y Sneddon	Member		Member	Chair	-	-

Committee membership is at 30 June 2022.

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

	2022	2021
\$20,000 to \$39,999	4	-
\$60,000 to \$79,999	4	6
\$100,000 to \$119,999	1	1

The total remuneration received and receivable by board members for the year was \$473,000 (2021: \$471,000) which includes superannuation contributions.

The Minister's Advisory Committee is established under section 171 of the Return to Work Act 2014 (the Act). Its role includes advising the Minister for Industrial Relations on the operation of the Act. The members' remuneration paid/payable was \$60,000 (2021: \$62,000). Members of the Committee include S. Mead (Presiding Member), D. Blairs, D. Connor, K.J. Crowe, E. Dabars, S.C. Knight, E.T. Mah, and R. Paterson. E. Macey resigned on 17 June 2022.

Remuneration for this committee is not included in the board and committee remuneration table

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**Note 19 Cash and cash equivalents**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Cash equivalents	<u><b>186,682</b></u>	<u>180,828</u>

Cash and cash equivalents in the Statement of Cash Flows includes cash at bank and on-hand 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. Cash and cash equivalents are included as part of investments

**Note 20 Trade and other receivables**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
	<b>Notes</b>	
<b>Current receivables</b>		
Trade receivables	<b>20,072</b>	17,468
Less allowance for doubtful debts	<b>(6,600)</b>	(7,100)
	<u><b>13,472</b></u>	<u>10,368</u>
Refunds	<b>(12,512)</b>	(14,805)
Recoverable claim payments	<b>10 20,547</b>	21,337
Sundry receivables and prepayments	<b>854</b>	1,609
Total current receivables	<u><b>22,361</b></u>	<u>18,509</u>
<b>Non-current receivables</b>		
Recoverable claim payments	<b>10 66,092</b>	62,851
Total non-current receivables	<u><b>66,092</b></u>	<u>62,851</u>
Total trade and other receivables	<u><b>88,453</b></u>	<u>81,360</u>
<b>Impairment of receivables</b>		
Opening balance	<b>(7,100)</b>	(8,600)
Amounts written off	<b>1,000</b>	1,200
Decrease/(increase) in allowance recognised	<b>(500)</b>	300
Closing Balance	<u><b>(6,600)</b></u>	<u>(7,100)</u>

The carrying amounts of receivables approximates net fair value due to being receivable on demand. Claim recoveries receivable are stated at the amounts estimated in the actuarial valuation.

Collectability of receivables is reviewed on an ongoing basis. Allowances for doubtful debts are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. Bad debts are written off when identified. The calculation of the impairment of receivables includes estimates to allow for businesses affected by adverse economic effects related to COVID-19.

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**Note 21 Property, plant and equipment**

	Leasehold improvements including office furniture and fittings \$'000	Computer, communications and general office equipment \$'000	Total \$'000
<b>Cost</b>			
Balance at 1 July 2020	6,775	506	7,281
Additions	-	1,613	1,613
Disposals	-	-	-
Balance at 30 June 2021	<u>6,775</u>	<u>2,119</u>	<u>8,894</u>
Balance at 1 July 2021	6,775	2,119	8,894
Additions	-	37	37
Disposals	-	(11)	(11)
Balance at 30 June 2022	<u>6,775</u>	<u>2,145</u>	<u>8,920</u>
<b>Accumulated Depreciation</b>			
Balance at 1 July 2020	(5,461)	(200)	(5,661)
Depreciation charge	(678)	(214)	(892)
Disposals	-	-	-
Balance at 30 June 2021	<u>(6,139)</u>	<u>(414)</u>	<u>(6,553)</u>
Balance at 1 July 2021	(6,139)	(414)	(6,553)
Depreciation charge	(636)	(515)	(1,151)
Disposals	-	11	11
Balance at 30 June 2022	<u>(6,775)</u>	<u>(918)</u>	<u>(7,693)</u>
<b>Carrying Amounts</b>			
At 30 June 2021	<u>636</u>	<u>1,705</u>	<u>2,341</u>
At 30 June 2022	<u>-</u>	<u>1,227</u>	<u>1,227</u>

Property, plant and equipment with a value equal to or in excess of \$15,000 is capitalised, otherwise it is expensed. 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. All assets are owned by RTWSA.

Refer to Note 23 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:

	2022	2021
Leasehold improvements including office furniture and fittings	5-10	5-10
Computer, communications and general office equipment	3-5	3-5

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.

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**Note 22 Right-of-use assets**

	Land and buildings \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>			
Balance at 1 July 2020	6,378	184	6,562
Additions	-	110	110
Disposals	-	(161)	(161)
Balance at 30 June 2021	6,378	133	6,511
Balance at 1 July 2021	6,378	133	6,511
Additions	6,973	29	7,002
Disposals	-	(37)	(37)
Balance at 30 June 2022	13,351	125	13,476
<b>Accumulated Depreciation</b>			
Balance at 1 July 2020	(2,126)	(97)	(2,223)
Depreciation charge	(2,126)	(61)	(2,187)
Disposals	-	97	97
Balance at 30 June 2021	(4,252)	(61)	(4,313)
Balance at 1 July 2021	(4,252)	(61)	(4,313)
Depreciation charge	(2,126)	(54)	(2,180)
Disposals	-	37	37
Balance at 30 June 2022	(6,378)	(78)	(6,456)
<b>Carrying Amounts</b>			
At 30 June 2021	2,126	72	2,198
At 30 June 2022	6,973	47	7,020

Right-of-use assets for land and buildings and motor vehicles leased by RTWSA as lessee are measured at cost.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. If applicable, the associated lease payments are recognised as an expense.

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:

	2022	2021
Right-of-use land and buildings	Lease term	Lease term
Right-of-use motor vehicles	Lease term	Lease term

RTWSA has a limited number of leases:

- RTWSA leases land and buildings for its offices, under agreements of five years with options to extend. On renewal, the terms of the leases are renegotiated.
- RTWSA leases motor vehicles with terms of three years with options to extend.

The lease liabilities related to the right-of-use assets are disclosed in Note 25. The maturity analysis of lease liabilities is disclosed in Note 28(d). Expenses related to leases include depreciation, as disclosed in note 14, and interest expense, as disclosed in note 15.

**Impairment**

Property, plant and equipment leased by RTWSA has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

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**Note 23 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 and financially feasible) have 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.

	Leasehold improvements including office furniture and fittings \$'000	Computer, communications and general office equipment \$'000	Total \$'000
Balance at 1 July 2020	1,314	306	1,620
Additions	-	1,613	1,613
Depreciation	(678)	(214)	(892)
Balance at 1 July 2021	636	1,705	2,341
Balance at 1 July 2021	636	1,705	2,341
Additions	-	37	37
Depreciation	(636)	(515)	(1,151)
Balance at 1 July 2022	-	1,227	1,227

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

	\$'000
2021	(892)
2022	(1,151)

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**Note 24 Trade and other payables**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Current</b>		
Trade payables	<b>20,246</b>	18,400
Unearned premiums	<b>77</b>	77
Employment on-costs	<b>882</b>	759
<b>Non-current</b>		
Employment on-costs	<b>161</b>	199
<b>Total trade and other payables</b>	<b>21,366</b>	19,435

Payables are measured at nominal amounts, and are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs include payroll tax, RTWSA premium and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged.

RTWSA contributes to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at the reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave is 42% at 30 June 2022 (2021: 42%). The average factor for the calculation of employer superannuation on-costs has risen to 10.6% at 30 June 2022 (2021: 10.1%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

**Note 25 Lease liabilities**

(a) Lease liabilities

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Current</b>		
Lease liabilities	<b>1,234</b>	2,313
<b>Non-current</b>		
Lease liabilities	<b>5,786</b>	23
<b>Total lease liabilities</b>	<b>7,020</b>	2,336

All material cash outflows are reflected in the lease liabilities disclosed above.

(b) Cash outflow for leases

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Land and buildings	<b>2,289</b>	2,201
Motor vehicles	<b>54</b>	65
<b>Total cash outflow for leases</b>	<b>2,343</b>	2,266

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**Note 25 Lease Liabilities (continued)**

(c) Extension options

The lease for office space is for a five year term to 30 June 2027 with a right of renewal for a further five years. As at 30 June 2022 it is not reasonably certain that RTWSA will take up the option to extend the lease beyond 30 June 2027.

**Note 26 Provisions**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Balance at the start of the year	-	82
Provisions made/(written back) during the year	-	-
Provisions used during the year	-	(82)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

The provision from 2020 related to redundancies arising from internal restructuring activities decided upon prior to the year end. The redundancy provision was calculated in accordance with the RTWSA Award 2018 and RTWSA Enterprise Agreement 2018.

**Note 27 Reconciliation of comprehensive result to net cash flows from operating activities**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Total comprehensive result</b>	<b>53,745</b>	(418,916)
<b>Add / (less) non-cash items</b>		
Depreciation	<b>3,331</b>	3,079
Net loss on sale of non-current assets	-	1
Change in net market values of investments	<b>271,313</b>	(296,897)
<b>Movement in assets and liabilities</b>		
Increase/(decrease) in payables	<b>1,935</b>	2,559
(Increase)/decrease in receivables	<b>(7,093)</b>	(10,875)
Increase/(decrease) in outstanding claims liability	<b>(240,198)</b>	796,829
Increase/(decrease) in employee benefits	<b>(874)</b>	(109)
Increase/(decrease) in provisions	-	(82)
<b>Net cash flows from operating activities</b>	<b>82,159</b>	75,589

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#### Note 28 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, and 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 insurance protection in the event of work-related injury, 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 \$13,760 (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 premium setting 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.

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#### Note 28 Risk management (continued)

##### (b) Insurance risk (continued)

The risk associated with premium rate pricing is controlled by obtaining 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 56,000. The entitlements payable to injured workers are determined by the Act.

RTWSA's approach to determining the outstanding claims provisions and related sensitivities is set out in Notes 10 and 11. A key control utilised by RTWSA in seeking to ensure the adequacy of the claims provision is the regular completion of actuarial valuations:

- Compensation Fund - every six months
- Statutory Reserve Fund - every twelve months
- Insurance Assistance Fund - every twelve months
- Mining and Quarrying Industries Fund - every three years.

##### (c) Operational risk

Operational risk relates to the risk of loss arising from system 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, and 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 + 2.5%. 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.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

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**Note 28 Risk management (continued)**

(d) Financial risk (continued)

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment consultancy 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 and a global equity index fund.

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.

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
- 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).

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

**Note 28 Risk management (continued)**

(d) Financial risk (continued)

As at 30 June 2022

	Level 1 \$'000	Level 2 \$'000	level 3 \$'000	Total \$'000
Deposits with Financial Institutions	357,653	-	-	357,653
Debt securities	1,452,008	-	-	1,452,008
Australian equities	201,008	-	-	201,008
Overseas equities	769,976	-	-	769,976
Real assets (property and infrastructure)	390,285	328,526	228,432	947,243
Derivatives	-	(23,180)	-	(23,180)
Total investments at fair value through profit and loss	<u>3,170,930</u>	<u>305,346</u>	<u>228,432</u>	<u>3,704,708</u>
Current				373,155
Non-current				<u>3,331,553</u>
Total investments				<u>3,704,708</u>

As at 30 June 2021

	Level 1 \$'000	Level 2 \$'000	level 3 \$'000	Total \$'000
Deposits with Financial Institutions	236,289	-	-	236,289
Debt securities	1,647,400	-	-	1,647,400
Australian equities	218,680	-	-	218,680
Overseas equities	934,811	-	-	934,811
Real assets (property and infrastructure)	368,097	294,313	212,626	875,036
Derivatives	-	(15,995)	-	(15,995)
Total investments at fair value through profit and loss	<u>3,405,277</u>	<u>278,318</u>	<u>212,626</u>	<u>3,896,221</u>
Current				330,365
Non-current				<u>3,565,856</u>
Total investments				<u>3,896,221</u>

The hierarchy for the fair value measurement of investments is:

- 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).

# ReturnToWorkSA

## Notes to and forming part of the financial statements

### 30 June 2022

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#### Note 28 Risk management (continued)

(d) Financial risk (continued)

##### *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 and Fund Manager Guidelines. Where there is inconsistency, RTWSA's 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.

##### *Futures contracts*

- RTWSA invests across a range of markets. Futures contracts give investors the ability to increase or decrease exposure to these markets with very low transaction costs
- the gain or loss on outstanding futures contracts as at the reporting period are taken up in the financial statements as an unrealised gain or loss based on the fair value as at the end of the reporting period
- futures contracts are predominantly used for transactional efficiency and value added strategies.

##### *Credit risk*

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.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

**Note 28 Risk management (continued)**

(d) Financial risk (continued)

*Credit risk - investments*

RTWSA manages its exposure to credit risk related to fixed interest, cash investments and non-centrally cleared financial instruments through its Investment Strategy and Investment Guidelines, which incorporate credit limits. 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 2022

	Short-term issue ratings*				Long-term issue ratings**				Not	Total
	A1+	A1	A2	AAA	AA	A	BBB	BB/B	Rated***	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Government	-	-	-	746,302	120,533	-	-	-	-	866,835
Corporate	-	-	-	113,316	41,330	124,401	195,874	40,114	70,134	585,169
Cash	318,026	20,000	-	-	-	-	-	-	(8,899)	329,127
	<u>318,026</u>	<u>20,000</u>	<u>-</u>	<u>859,618</u>	<u>161,863</u>	<u>124,401</u>	<u>195,874</u>	<u>40,114</u>	<u>61,235</u>	<u>1,781,131</u>

As at 30 June 2021

	Short-term issue ratings*				Long-term issue ratings**				Not	Total
	A1+	A1	A2	AAA	AA	A	BBB	BB/B	Rated***	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Government	-	-	-	835,769	159,025	-	-	-	-	994,794
Corporate	-	-	-	97,220	40,643	142,950	288,745	34,576	64,456	668,590
Cash	194,394	12,000	-	-	-	-	-	-	(3,182)	203,212
	<u>194,394</u>	<u>12,000</u>	<u>-</u>	<u>932,989</u>	<u>199,668</u>	<u>142,950</u>	<u>288,745</u>	<u>34,576</u>	<u>61,274</u>	<u>1,866,596</u>

\* 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 predominately of cash or investments in pooled funds.

*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.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

**Note 28 Risk management (continued)**

(d) Financial risk (continued)

15.6% of RTWSA's trade receivables and sundry receivables were past due greater than 30 days (2021: 22.4%).

The ageing of RTWSA's trade receivables and sundry receivables at the reporting date was:

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Not past due	<b>11,423</b>	8,355
Past due 1-30 days	<b>662</b>	943
Past due 31-60 days	<b>2,017</b>	1,949
Past due 61 days to one year	<b>224</b>	730
	<b>14,326</b>	11,977

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 15% of RTWSA's investments could be liquidated within five business days if required.

Both the asset and liability liquidity risks are managed through management risk strategies. 83.4% (2021: 87.5%) 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, excluding outstanding claims, based on the remaining undiscounted obligations. The maturity profiles of outstanding claims are outlined in notes 10 & 11.

As at 30 June 2022

	1 year or less	1 to 3 years	3 to 5 years	Over 5 years	No Term	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	1,234	2,702	3,084	-	-	7,020
Trade and other payables	21,205	161	-	-	-	21,366

As at 30 June 2021

	1 year or less	1 to 3 years	3 to 5 years	Over 5 years	No Term	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	2,313	23	-	-	-	2,336
Trade and other payables	19,236	199	-	-	-	19,435

*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.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

**Note 28 Risk management (continued)**

(d) Financial risk (continued)

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 33% of the international equity securities holdings are covered by forward exchange contracts. The 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 of a strengthening or weakening Australian dollar on assets held in foreign currencies. 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.

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
<b>30 June 2022</b>				
US Dollar (10% movement)	(28,442)	28,442	(28,442)	28,442
China (10% movement)	(3,221)	3,221	(3,221)	3,221
Euro (10% movement)	(3,923)	3,923	(3,923)	3,923
JPY (10% movement)	(1,459)	1,459	(1,459)	1,459
Sterling (10% movement)	(4,344)	4,344	(4,344)	4,344
Other (10% movement)	(10,655)	10,655	(10,655)	10,655
<b>30 June 2021</b>				
US Dollar (10% movement)	(37,301)	37,301	(37,301)	37,301
China (10% movement)	(3,398)	3,398	(3,398)	3,398
Euro (10% movement)	(7,152)	7,152	(7,152)	7,152
JPY (10% movement)	(2,263)	2,263	(2,263)	2,263
Sterling (10% movement)	(4,032)	4,032	(4,032)	4,032
Other (10% movement)	(13,505)	13,505	(13,505)	13,505

*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 largely of marketable securities.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

**Note 28 Risk management (continued)**

(d) Financial risk (continued)

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.

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
<b>1% interest rate movement - interest bearing investments</b>				
2022	(96,527)	96,527	(96,527)	96,527
2021	(106,445)	106,445	(106,445)	106,445

*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 long-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 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.

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
<b>Listed Securities</b>				
<b>30 June 2022</b>				
Australian equities - (20% movement)	40,202	(40,202)	40,202	(40,202)
Overseas equities - (20% movement)	153,995	(153,995)	153,995	(153,995)
<b>30 June 2021</b>				
Australian equities - (20% movement)	43,736	(43,736)	43,736	(43,736)
Overseas equities - (20% movement)	186,962	(186,962)	186,962	(186,962)

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2022**

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**Note 28 Risk management (continued)**

(d) Financial risk (continued)

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 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.

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 infrastructure assets.

The following table presents the changes in level 3 instruments for the years ended 30 June 2022 and 2021:

	<b>Financial year ended</b>	Financial year ended
	<b>30 June</b>	30 June
	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Unit Trusts - unlisted infrastructure</b>		
Opening balance	<b>212,626</b>	198,985
Contributions	-	2,387
Withdrawals	<b>(5,403)</b>	(3,538)
Gains recognised in investment profit	<b>21,209</b>	14,792
Closing balance	<b>228,432</b>	212,626

# ReturnToWorkSA

## Notes to and forming part of the financial statements

### 30 June 2022

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#### **Note 29 Employer financial guarantees**

Under section 129 of the Act and schedule 3 of the Regulations, RTWSA administers financial guarantees lodged by non-SA Government self-insured employers. As at 30 June 2022, RTWSA held security to the value of \$302.3 million (2021: \$285.3 million) in financial guarantees or other approved substituted financial securities for self-insured employers. These guarantees are held in the event of a self-insured employer no longer being able to meet its claim liabilities.

#### **Note 30 Self-insured Insolvency Contribution Aggregate**

The Act requires fees paid by self-insured employers to include a fair contribution towards the actual and prospective liabilities of RTWSA arising from the insolvency of self-insured employers and other liabilities of the RTWSA as an insurer of last resort. The Self-Insured Insolvency Contribution Aggregate ("SIICA") is a pooled fund representing contribution fees received over time less any amounts paid by RTWSA as a result of the insolvency of a self-insured employer in excess of a financial guarantee held by RTWSA plus notional attributed interest (calculated by applying the Reserve Bank of Australia cash rate to the balance as at 30 June each year). The SIICA balance as at 30 June 2022 is \$55.2 million (2021: \$54.9 million).

#### **Note 31 Impact of standards and statements not yet implemented**

RTWSA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

The material impacts on RTWSA are outlined below:

(a) AASB 17 - Insurance Contracts

A comprehensive standard for all insurance contracts (life, general and health) replacing AASB 4, AASB 1023 and AASB 1038.

Application date is 1 July 2025.

There will be significant changes in terminology, presentation and disclosure, including making a choice on whether changes in discount rates and other market variables are accounted for in Comprehensive Income or in Other Comprehensive Income.

#### **Note 32 Events after the reporting period**

The Return to Work (Scheme Sustainability) Amendment Bill 2022 was passed on 6 July 2022 and proclaimed as an Act on 28 July 2022. The Amendment Act has been treated as an adjusting event after the reporting period and reflected in the financial statements. Apart from the above there have been no events after the reporting period which would have a material effect on RTWSA's financial statements at 30 June 2022.

## ReturnToWorkSA

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

30 June 2022

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

- are in accordance with the accounts and records of the Return to Work Corporation of South Australia;
- comply with relevant Treasurer's Instructions;
- comply with relevant accounting standards; and
- present a true and fair view of the financial position of the Return to Work Corporation of South Australia at the end of the financial year and the result 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 its preparation of financial statements have been sufficiently effective to enable the presentation of financial statements that are free from material misstatement.



G. McCarthy

Chair



M. Francis

Chief Executive Officer



D. Quirk

Chief Financial Officer

8 September 2022



**INDEPENDENT  
AUDITOR'S  
REPORT**

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

### Opinion

I have audited the financial report of Return to Work Corporation of South Australia for the financial year ended 30 June 2022.

In my opinion, the accompanying 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 2022, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

### Emphasis of matter

I draw attention to notes 4, 10 and 11 of the financial report. There is a 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 cost 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 6.

## **Basis for opinion**

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of Return to Work Corporation of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

## **Responsibilities of the Chief Executive and members of the Board for the financial report**

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

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The members of the Board are responsible for overseeing the entity's financial reporting process.

## **Auditor's responsibilities for the audit of the financial report**

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 financial report of Return to Work Corporation of South Australia for the financial year ended 30 June 2022.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Return to Work Corporation of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

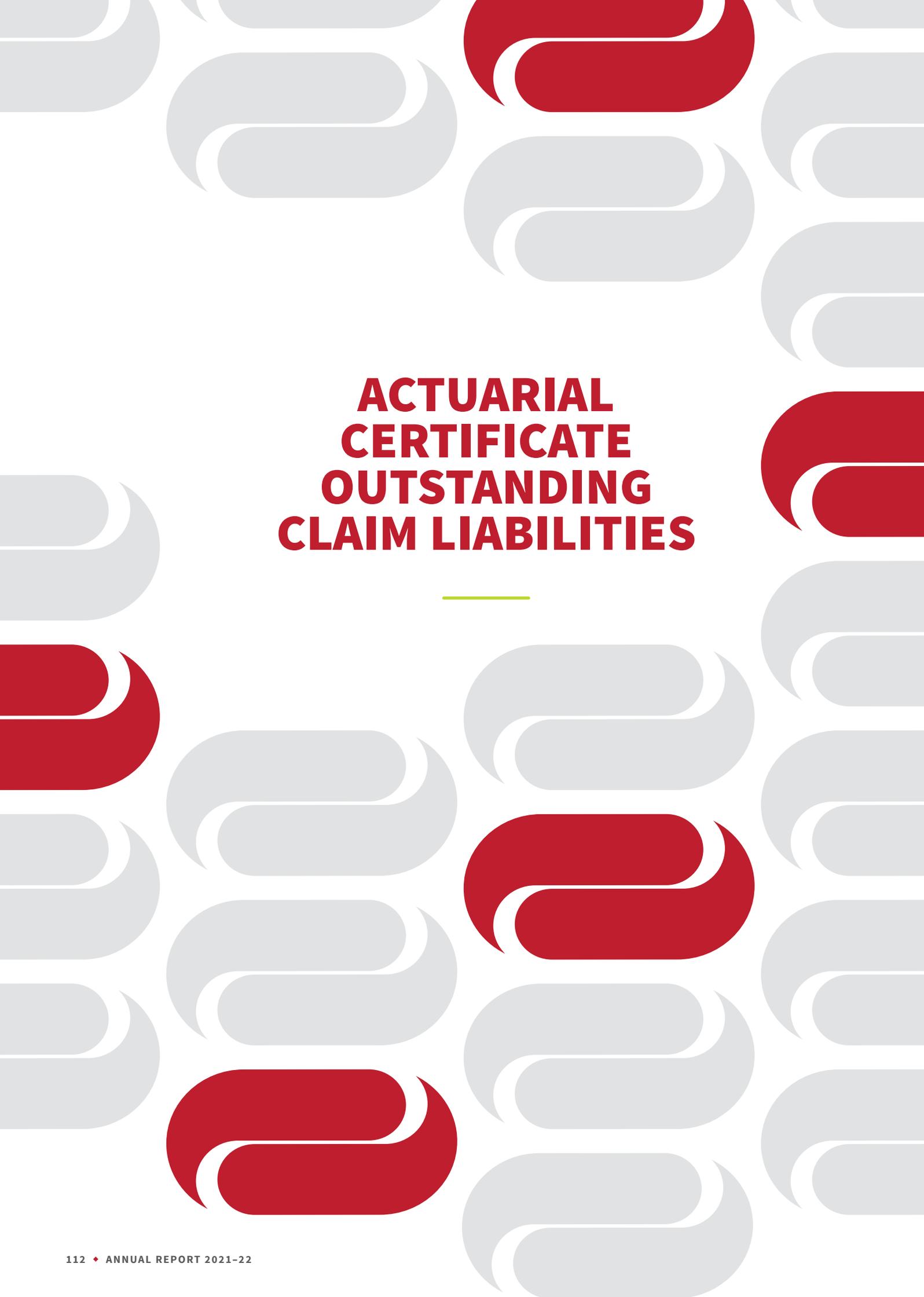
I communicate with the Chief Executive and members of the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

**Auditor-General**

21 September 2022



# **ACTUARIAL CERTIFICATE OUTSTANDING CLAIM LIABILITIES**

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# RETURN TO WORK CORPORATION OF SOUTH AUSTRALIA

## Actuarial Certificate

### Outstanding Claim Liabilities at 30 June 2022

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. We have also been requested to estimate the outstanding claim liabilities of ReturnToWorkSA's Statutory Reserve Fund (SRF), Insurance Assistance Fund (IAF) and the Mining and Quarrying Industries Fund Part A (Silicosis Fund).

#### 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, including guidance and input on the likely impacts of the recent scheme reforms. 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

Our estimates and reports have been prepared in accordance with the Actuaries Institute's Professional Standard 302 and with our understanding of the relevant Australian Accounting Standard AASB 1023.

To do this we have calculated a central estimate of the outstanding claim liabilities, which means our assumptions have been selected such that our estimates contain no deliberate bias towards either overstatement or understatement. 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.

Our estimate includes allowances for the expected impacts of the *Return to Work (Scheme Sustainability) Amendment Act 2022* ('the reforms'). The reforms codified the ability to 'combine injuries' for impairment assessments, in conjunction with other changes intended to mitigate the financial impacts of combining injuries.

We have also provided a recommended provision for outstanding claims which increases the central estimate to a level intended to achieve 75% probability of sufficiency, in accordance with ReturnToWorkSA policy. The risk margin has been updated to incorporate additional uncertainties from the reforms.

Our valuation basis assumes that claims related to COVID-19 infections continue to remain low in South Australia and that there are no additional lockdowns, economic disruption or major impacts on business confidence that would materially impact on RTW outcomes.

#### 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 2022 in respect of claims which arose on or before that date. Our central estimate of the Scheme's outstanding claims liability for registered employers as at 30 June 2022 is \$3,288 million. ReturnToWorkSA has provided \$3,923 million in its financial statements as at 30 June 2022 for the net outstanding claim liabilities, having added to our net

central estimate a risk margin of 19.3% which is intended to increase the probability of adequacy of the provision to 75%. These amounts are made up as follows:

**Table 1 – Outstanding Claim Liabilities at 30 June 2022 – Return To Work Scheme**

	Central Estimate	Recommended Provision
	\$m	\$m
Gross Claims Cost - Serious Injuries	2,132	
Gross Claims Cost - Short Term Claims	925	
Claims Handling Expenses	303	
Gross Outstanding Claims Liability	3,361	4,010
Recoveries	-73	-87
Net Outstanding Claims Liability	3,288	3,923

The risk margin is high for a scheme of this size (19.3%, increased from 16.5% previously), having been updated to incorporate uncertainties related to the reforms in addition to the underlying variability in our projection of future claim costs. If the reforms achieve their stated aims, i.e. without there being any material behavioural response or adverse legal decisions that undermine their intent, then we would expect the risk margin loading to reduce back toward the underlying risk margin level over the next 12-18 months.

As indicated by the increased risk margin, we emphasise that there is considerable uncertainty in relation to the anticipated reform savings. In particular, a significant portion of the valuation is based on assumed outcomes, rather than being based on a reliable history which is the usual approach for undertaking actuarial estimates, and so if any of the underlying assumptions prove to be incorrect then our estimates will need to be updated accordingly to reflect the emerging experience.

## 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).

ReturnToWorkSA has provided \$52 million in its financial statements as at 30 June 2022 for the net outstanding claim liabilities, having added to our net central estimate risk margins (45% for IBNR claims, 10.5% for known claims) which are intended to increase the probability of adequacy of the provision to 75%. These amounts are made up as follows:

**Table 2 – Outstanding Claim Liabilities at 30 June 2022 – SRF and IAF**

	Central Estimate	Recommended Provision
	\$m	\$m
Statutory Reserve Fund	33	
Insurance Assistance Fund	0.1	
Claims Handling Expenses	3	
Gross Outstanding Claims Liability	36	52
Recoveries	-	-
Net Outstanding Claims Liability	36	52

The Mining and Quarrying Industries Fund Part A liabilities relate to an old Silicosis Scheme that was transferred to ReturnToWorkSA, which provided coverage for a small, finite group of workers; there have been no claims

compensated under the Scheme since 1984, almost 40 years ago. While our central estimate of the prospective claims costs is nil, to meet ReturnToWorkSA's reserving policy a small allowance for future administration costs of up to \$100,000 would be appropriate.

## 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.

The uncertainty at this valuation is heightened by the yet to emerge impacts of the recent scheme reforms, and in particular how claimants and other scheme participants may change their behaviour in response to these reforms. An important area that we have not been able to consider as yet (as there is no information available) is how the reforms will ultimately change the way Impairment Assessment Guidelines operate. These Guidelines are a crucial feature of how the Scheme works in practice, given the legislative design's reliance on WPI assessments, and so if the announced review of the Guidelines results in changes that impact on WPI scores then the financial outcomes could be very significant.

As shown in Table 1 the largest component of ReturnToWorkSA's liabilities relate to Serious Injuries (as defined in the Act). These claims are entitled to benefits for life, and so deviations from our assumptions have the potential to compound over many years.

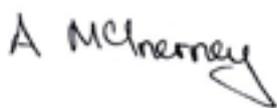
In the case of asbestos-related disease liabilities in the SRF and IAF, additional sources of uncertainty are the extremely long-term nature of such claims, the risk of significant changes in the way in which claims are litigated and compensated by courts, and potential changes in the behaviour of claimants,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

It is quite possible that one or more changes could produce a financial outcome materially different from our estimates. 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 2022 (Scheme), 4 August 2022 (SRF and IAF) and 11 August 2022 (Silicosis Fund).

Yours Sincerely,



Andrew McNerney (Scheme & Silicosis Fund)  
Fellow of the Institute of Actuaries of Australia



David McNab (SRF and IAF & Silicosis Fund)  
Fellow of the Institute of Actuaries of Australia











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If you are deaf or have a hearing or speech impairment, you can call ReturnToWorkSA on **13 18 55** through the National Relay Service (NRS) [www.relayservice.gov.au](http://www.relayservice.gov.au).

For languages other than English, call the Interpreting and Translating Centre on **1800 280 203** and ask for an interpreter to call ReturnToWorkSA on **13 18 55**.

For braille, audio or e-text of the information in this publication call **13 18 55**.

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