

Returnto  
**WorkSA**

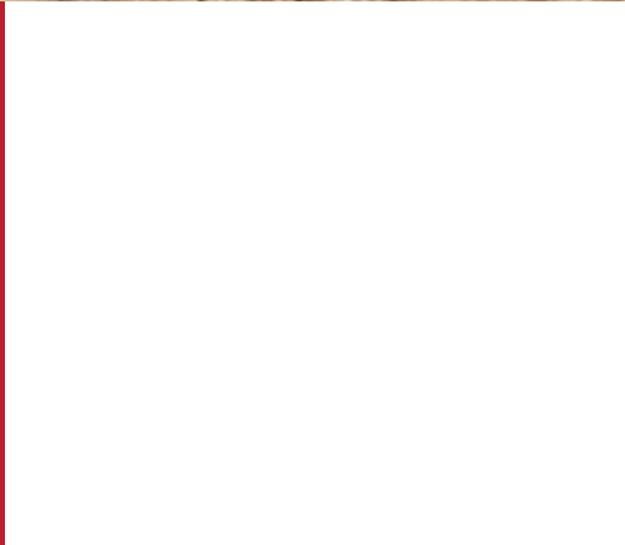


# 2020-21 ANNUAL REPORT

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 2020–21.

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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**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



**GREG MCCARTHY**  
Chairman



**MICHAEL FRANCIS**  
CEO

## Scheme overview and operational performance

The Return to Work scheme continued to serve South Australian workers and their employers well in 2020–21. Most indicators of core performance in terms of action taken to support workers to remain at or return to work, and the effective economic operation of the Scheme improved this year. At 1.65%, the average premium rate was maintained at the lowest level in the Scheme’s history, supporting employers to minimise costs while many were still impacted by COVID-19.

Implementation of initiatives designed to enhance return to work support and performance, combined with a strong investment return (11.8%) have all contributed to the results referred to above. Despite uncertainty associated with COVID-19, brief periods of lockdown and ongoing restrictions all posing challenges to achieving return to work outcomes, overall results within ReturnToWorkSA’s control were generally favourable.

The 2020–21 financial results for ReturnToWorkSA were, however, significantly impacted by a Supreme Court interpretation of a key provision of the *Return to Work Act 2014* (the Act) handed down in March 2021 in the *Summerfield* matter. With the outcome of the Supreme Court interpretation having an adverse liability impact of \$584m, the actual total comprehensive result for the year is a loss of \$418.9m.

The specifics of this case and its implications for the Scheme are set out later in this message and in more detail throughout the report; however the point to be made here is that but for the liability impact of this interpretation, the underwriting result for the Scheme was \$63.7m better than last year, \$185.9m better than the 2018–19 results and the total comprehensive result would have been a profit of \$165.1m.

## Capacity, capability and Scheme support

To promote further improvements in outcomes for injured workers, the ReturnToWorkSA Board has supported a concerted drive by management to invest more funds and focus on increasing organisational claims management capability at ReturnToWorkSA and at our claims agents. This program encapsulates recruitment practices, training, retention strategies and a focus on increasing the quality of decision-making across the collective workforce of ReturnToWorkSA and its claims agents. Claims agents have been funded to increase their mobile workforce to reduce caseloads and enable more face-to-face service provision, as well as increased access to people with specialist skills to deal with more technically challenging aspects of claims management.





We want to call out the unwavering effort and positive difference our people have made to the support provided to workers and businesses in South Australia, that goes beyond the traditional insurance and regulatory activity people associate with ReturnToWorkSA. Our Mentally Healthy Workplaces Consultant delivered 24 workshops covering 277 participants, and in doing so, contributed to building more psychologically safe workplaces for hundreds, possibly thousands more South Australians. Our Scheme's Low Intensity Mental Health Support Service provided assistance to 234 workers and their families who were experiencing stress, anxiety or depression associated with work injury, in circumstances where they might not otherwise have accessed clinical supports. Our Medical Advisors, Physiotherapy Advisors and Exercise Physiology Advisor collectively delivered 114 educational sessions in clinics and 30 sessions were delivered to allied health undergraduate and postgraduate university students.

### **Cost pressures**

When the premium rate for 2021–22 of 1.70% was announced in May 2021, the primary driver of increasing Scheme costs was higher than anticipated numbers of people being taken to be seriously injured. At an average liability of circa \$2m per serious injury claim and an additional 20–30 of these claims received per injury year beyond what was expected, these pressures are material. Original Scheme modelling was based on historical whole person impairment (WPI) determination figures at the time the Scheme was designed. The number of people requesting assessments and disputing these assessment outcomes (often for injuries dating back many years) has increased since the Act was introduced, as have average WPI assessment outcomes.

ReturnToWorkSA has an important role to play in ensuring compliance with assessment requirements and that an appropriately rigorous determination process is followed to manage this important Scheme gateway, but ultimately the number and type of claims that are taken to be seriously injured is determined by Scheme design and legal interpretation of the boundaries set within the Act.

## **Significant legal decision and Scheme implications**

The Supreme Court decision referred to earlier interpreted a critical provision of the Act in a way that materially increases the lump sum compensation many workers with a whole person impairment (WPI) will receive and significantly increases the number of workers who will be entitled to receive income support through to retirement age and medical treatment coverage for life. ReturnToWorkSA is challenging this decision in the High Court, based on legal advice and an understanding that the relevant section of the Act was not designed with this intent in mind. While the outcome will not be known at the time of finalising this annual report, the Scheme Actuary has applied a probability weighted approach to determining a \$584m liability impact to be applied to this year's accounts. If the High Court appeal is unsuccessful, the adverse impact on the outstanding claims liability will likely be in excess of \$1 billion.

In addition to the economic impacts of consequential higher premiums, the decision, if upheld, will reduce the effectiveness of the clear time boundaries established by the Act which promoted the health benefits of work by focusing on remaining at or returning to work as soon as possible. These time boundaries also removed financial incentives to focus on disability and what people cannot do, that were features of the former Scheme.

These changes were balanced out with the removal of income support step downs in the first 12 months and higher lump sum payments for those who have a permanent impairment, meaning most workers receive a higher level of financial support under the Act. The current Scheme was designed to give all workers certainty of the benefits they can expect should they be injured at work. The current Scheme also provides greater certainty to employers in terms of the duration and cost of claims and ultimately impact on their premiums.

If the current Supreme Court decision stands, the increased Scheme costs of the more generous benefit structure of the Act will remain; however the clear boundaries will be removed for many, making the challenge of achieving balance and certainty for all participants much more difficult to attain.

## **In summary**

We are proud of the improved return to work and service outcomes achieved this year and are encouraged by the early signs that our investment in capability development and capacity will drive ever better results in the Scheme. There is no doubt that the Scheme is facing a significant challenge with the legal decision referred to above, but irrespective of the outcome of the High Court challenge, as the administrator of this Scheme we are committed to working more closely than ever with Scheme stakeholders to design, deliver and invest in ever-improving services for injured workers and employers who fund the Scheme. A fair, balanced and high performing Scheme that is desirable, affordable and durable requires vigilance and well-informed responses to such challenges and ReturnToWorkSA is committed to supporting the Scheme to respond.

# 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 14,860 claims received in the registered scheme with 93% of claims determined accepted for financial support. The phone reporting service continues to offer a quick and easy way to make a claim and allows our claims agents to assess where assistance is needed with recovery and return to work. 91% of all physical injury claims received were determined within 10 business days of receipt. 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.



**91%**

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

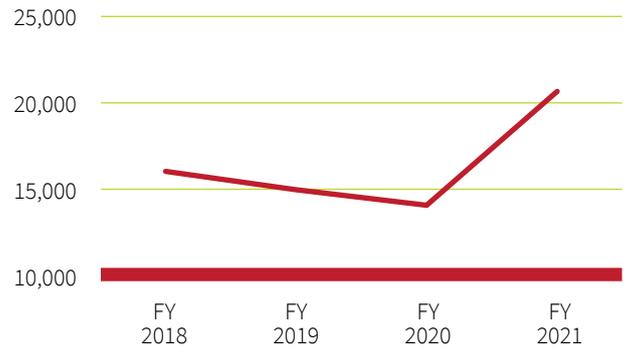
## Personalised claims service

Our claims agents and ReturnToWorkSA have 141 mobile staff providing a personalised, face-to-face service to employers and injured workers. There is a strong focus on continuing to build the capability of the mobile workforce. Aside from the periods of time directly impacted by COVID-19 lockdowns, our claims agents' mobile workforce increased their visitation level significantly in 2020–21. Face-to-face service is a cornerstone of our service model and essential to supporting injured South Australians and their employers to achieve their return to work goals.



**141**  
mobile staff

**20,738** mobile claims manager visits



## 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 during 2020, however improvements in 2021 have brought return to work rates above the 2019–20 year. The impact of COVID-19 during 2020 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 to increase the level of support provided to workers and employers in the pursuit of better return to work outcomes.



**93**  
workers assisted back to work through Re-employment Incentive Scheme for Employers (RISE)



**17**  
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
2020–21	71%	83%	87%	91%
2019–20	73%	82%	86%	91%
2018–19	75%	84%	88%	92%
2017–18	75%	85%	90%	93%

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

	4 weeks	13 weeks	26 weeks	52 weeks
2020–21	82%	90%	93%	94%
2019–20	81%	88%	91%	93%
2018–19	82%	90%	93%	95%
2017–18	82%	91%	94%	95%

The above rates may differ slightly from historical rates published in previous ReturnToWorkSA Annual Reports. The 4 week milestone is now measured from the claim received date instead of the first income support payment date. Other milestones are now 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.



## Effective economic operation of the Return to Work scheme

### Exceptional circumstances and emerging pressures

The 2020–21 financial results for ReturnToWorkSA are significantly impacted by a Supreme Court decision handed down on 11 March 2021 in the matter of *Summerfield*. The Supreme Court interpreted a critical provision of the Act in a way that is different to ReturnToWorkSA's understanding of this section and the interpretation that has applied to date. This interpretation significantly increases the lump sum compensation many workers with a whole person impairment (WPI) will receive and significantly increases the number of workers who will be entitled to receive income support through to retirement age and medical treatment coverage for life. The adverse impact to this year's profit from insurance operations caused directly by this change alone has been valued at \$584m by the Scheme Actuary. While ReturnToWorkSA is challenging this decision in the High Court, the outcome is unknown at the time of finalising the 2020–21 financial results and the Actuary has applied a probability weighted

approach to determining the liability impact that is most appropriate for these accounts. However, if this appeal is unsuccessful, the impact on the current outstanding claims liability and future liabilities will be much greater.

In addition to the significant impact of this decision, serious injury claim numbers have also continued to exceed the numbers upon which the Scheme was modelled, which has a cumulative and significant impact on outstanding claim liabilities. The Return to Work scheme modelling was based on the number of people with WPI assessment outcomes of 30% or more under the previous scheme and indicated approximately 60 people per injury year would be assessed at this level and be entitled to income support to retirement age and have their medical expenses covered for life. A changing profile of assessment outcomes and disputation of these outcomes over time has seen the number of claims ultimately reaching this level increase to between 80 and 90 claims per

injury year. The Scheme Actuary has increased the outstanding claims liability for these claims alone by \$80m in the 30 June 2021 valuation, primarily due to the continued increase in the number of these claims emerging from previous injury years. Claim determinations involving WPI are amongst the highest sources of disputes in the Scheme. This is explained by the significant lump sums payable, access to the serious injury level of benefits being of such high value and disputation costs being covered by ReturnToWorkSA. High levels of dispute about these decisions with the potential to impact the number of claims accessing higher level of benefits contributes to the higher provisioning for serious injury claims allowed for by the Scheme Actuary.

The exceptional circumstances of the *Summerfield* decision impact are highlighted in the profit from insurance operations table, while the emerging serious injury claim numbers liability pressure is factored into the underwriting result without *Summerfield* figure.

<b>Profit from insurance operations</b>	<b>2018-19 \$'m</b>	<b>2019-20 \$'m</b>	<b>2020-21 \$'m</b>
Underwriting result without <i>Summerfield</i> <sup>1</sup>	(378.5)	(256.3)	(192.6)
Underwriting result <i>Summerfield</i> <sup>2</sup>	0.0	0.0	(584.0)
Change in economic factors <sup>3</sup>	280.0	3.0	(104.0)
Long term investment earnings (net) <sup>4</sup>	165.8	166.8	143.5
Operating expenses <sup>5</sup>	(58.8)	(57.4)	(53.8)
Other income <sup>6</sup>	12.3	12.4	12.2
<b>Profit from insurance operations<sup>7</sup></b>	<b>20.8</b>	<b>(131.5)</b>	<b>(778.7)</b>
Include change in economic factors	(280.0)	(3.0)	104.0
Investment earnings difference <sup>8</sup>	105.8	(168.8)	255.8
<b>Total comprehensive result<sup>9</sup></b>	<b>(153.4)</b>	<b>(303.3)</b>	<b>(418.9)</b>

1. Premium less Claim costs (including economic factors, but without *Summerfield*), claim agent and tribunal fees [*per Statement of Comprehensive Income*]
2. Movement in outstanding claims relating to *Summerfield*, being a central estimate of \$431m plus a risk margin of \$153m
3. Exclude impact of change in economic factors that are beyond ReturnToWorkSA's control e.g. discount rates
4. Investment earnings (net) calculated at the expected long term (10 years) earnings rate to exclude short term variability
5. Includes employee, depreciation, accommodation and other operating costs [*per Statement of Comprehensive Income*]
6. Self-insured employer fees and Sundry income [refer Statement of Comprehensive Income]
7. Operating result excluding economic factors and investment variability
8. Difference between actual total Net investment profit and long term investment earnings (net)
9. *Total comprehensive result as per Statement of Comprehensive Income*

## Premium collection and affordability

The average premium rate for South Australian employers in 2020–21 was 1.65%. The reforms introduced with the Act provided more certainty for workers and employers, allowing ReturnToWorkSA as the administrator of the Scheme to significantly lower premium while achieving improved return to work results for workers.

## Continued low rate of premium disputes

Over 54,000 South Australian employers were registered premium payers in 2020–21, out of which there were only 31 premium disputes lodged.

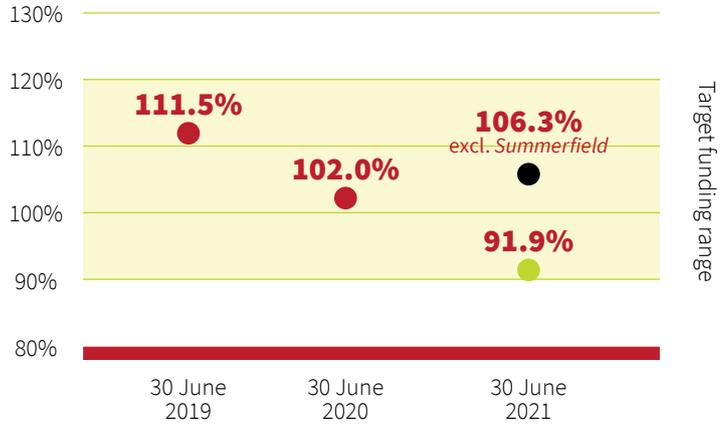
# Financial

## Scheme funding ratio

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

The *Summerfield* decision alone increased Scheme liabilities by \$584m which has been the difference between the Scheme being fully funded at 106.3% and it having unfunded liabilities at 91.9%. However, this is within the target funding ratio range (90–120%) but will not stay within the target range if the High Court challenge to this decision is unsuccessful.

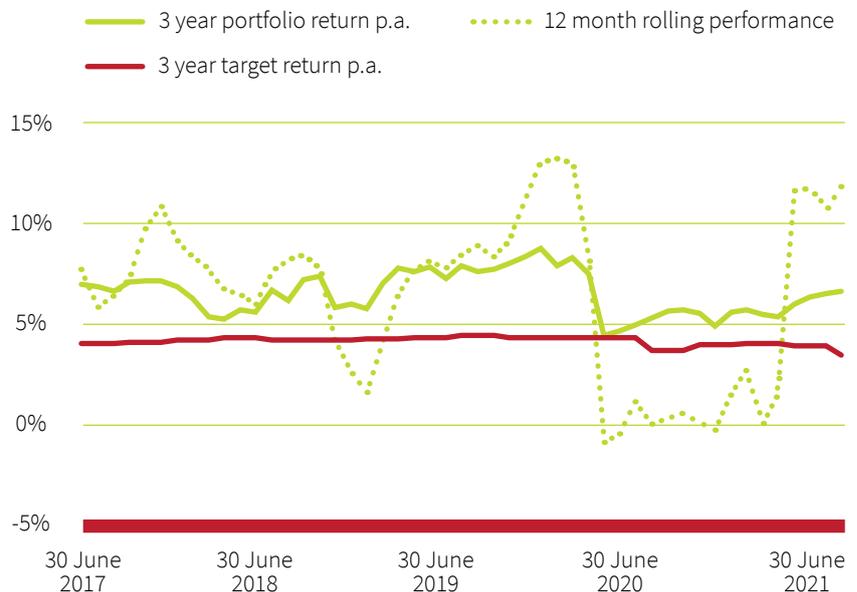
One of the primary functions of ReturnToWorkSA set out in the *Return to Work Corporation Act 1994* is to take all reasonable steps to ensure the Scheme is fully funded on a fair basis. The *Summerfield* decision has had a material adverse impact on ReturnToWorkSA's capacity to keep the Scheme fully funded while also seeking to keep the premium affordable for employers at less than 2%, as stipulated in the Act.



## Investment return

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

▲ Net return on investment is 11.8%





# 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 54,000 South Australian businesses and approximately 550,000 employees 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 services, 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 and informing Government about the frictional costs associated with aspects of Scheme design.

Our strategic objectives are to provide for:

- 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.
- 

## **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.

The Charter and Performance Statement was reviewed on 25 August 2020 by the Treasurer, with no amendments made.

In accordance with the Charter, ReturnToWorkSA reports quarterly to the Treasurer 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 previous ReturnToWorkSA Annual Reports. The 4 week milestone is now measured from the claim received date instead of the first income support payment date. Other milestones are now 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.

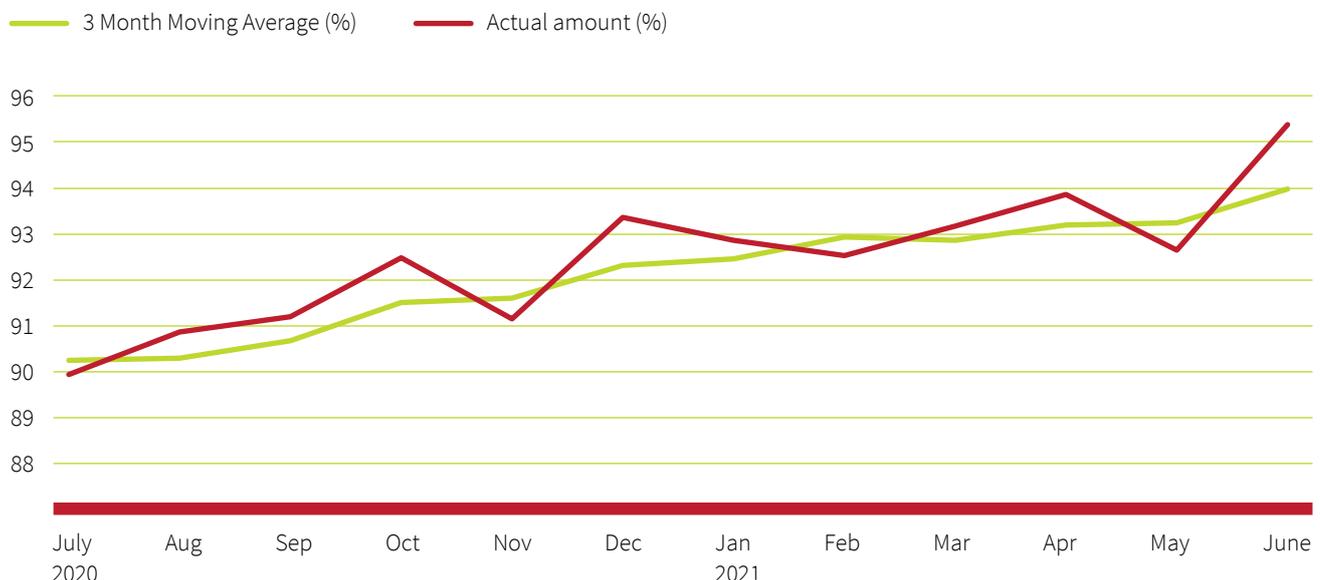
## Percentage of injured workers who were fully back (or remained) at work at key intervals

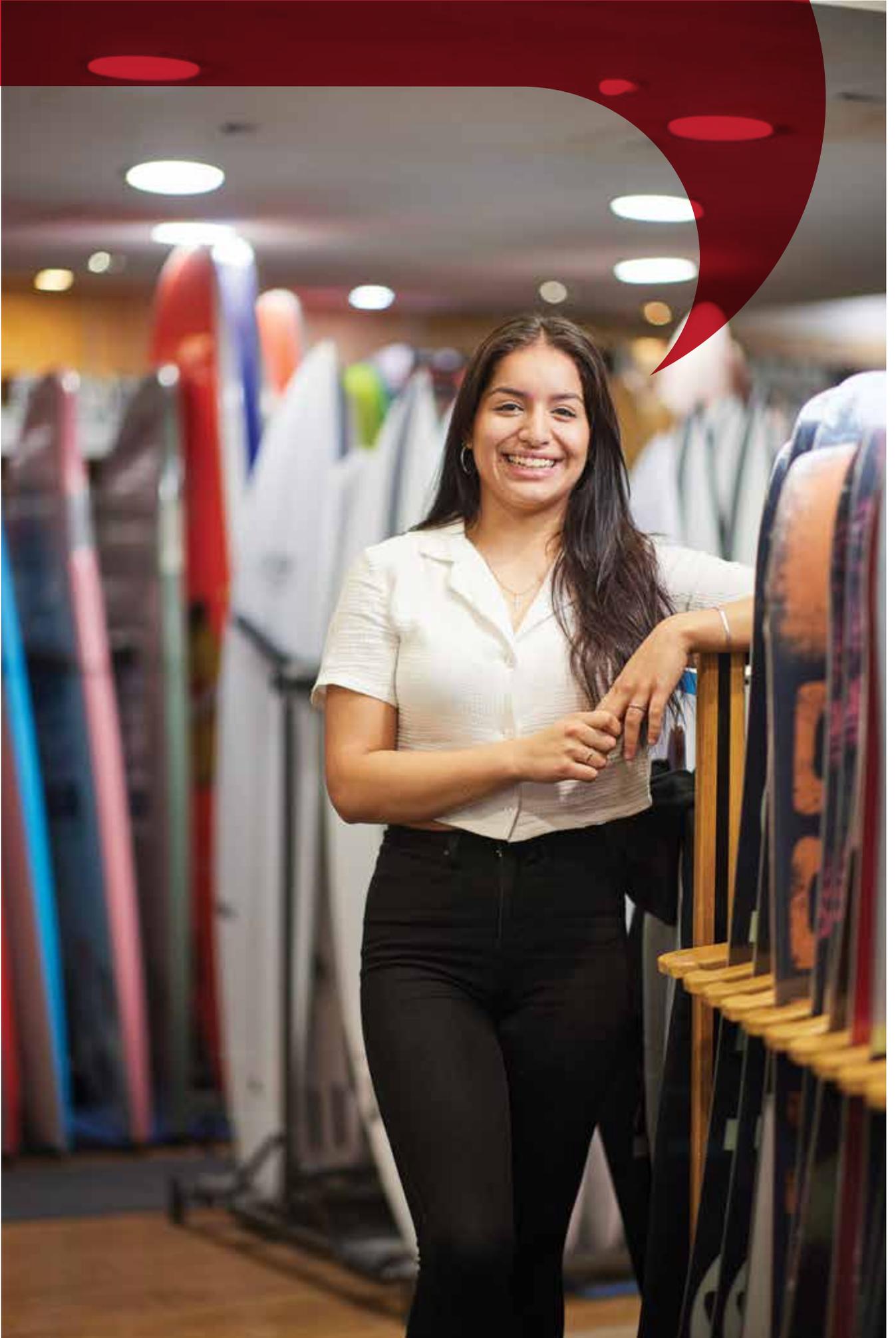
	4 weeks	13 weeks	26 weeks	52 weeks
2020-21	71%	83%	87%	91%
2019-20	73%	82%	86%	91%
2018-19	75%	84%	88%	92%
2017-18	75%	85%	90%	93%

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

	4 weeks	13 weeks	26 weeks	52 weeks
2020-21	82%	90%	93%	94%
2019-20	81%	88%	91%	93%
2018-19	82%	90%	93%	95%
2017-18	82%	91%	94%	95%

## Injured workers fully or partially at work at 26 weeks







# 20,738

mobile claims  
manager visits



## 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.

## Personalised and mobile service model

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

ReturnToWorkSA and our claims agents have 141 mobile claims staff throughout Adelaide and major regional population centres.

Our return to work results have improved again in 2020–21, despite the impact of COVID-19 in 2020 affecting return to work plans, the availability of suitable employment for workers to return to, and a more competitive market for workers seeking new employment goals.

We have been working to increase the level of support to our customers. 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.

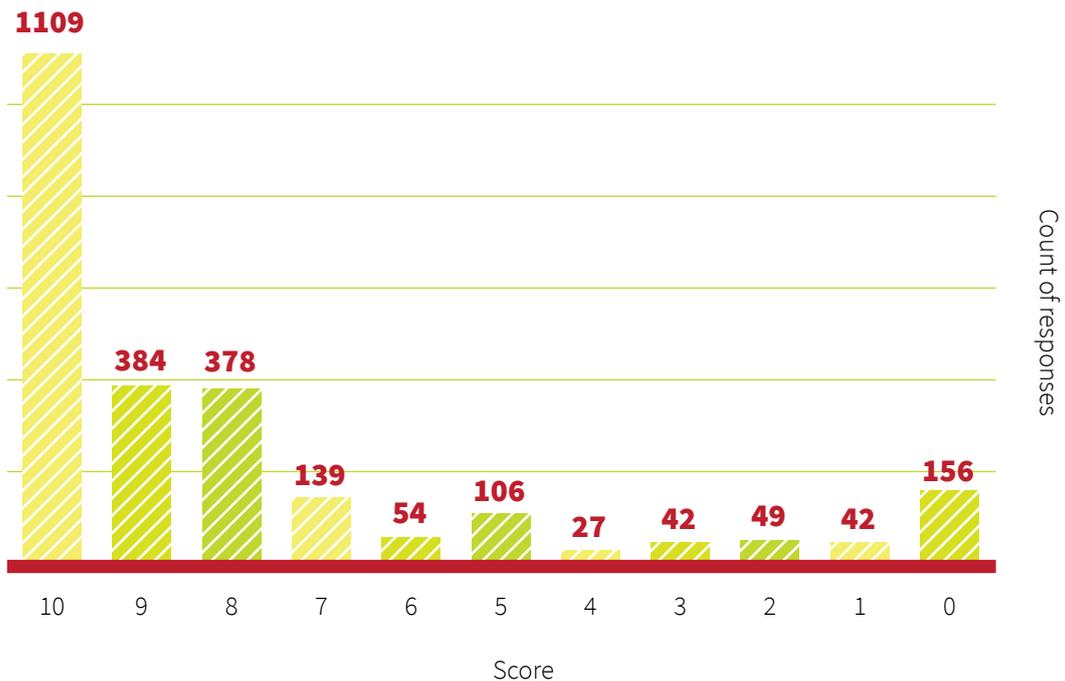


## Feedback on personalised claims service

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 20%. 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.





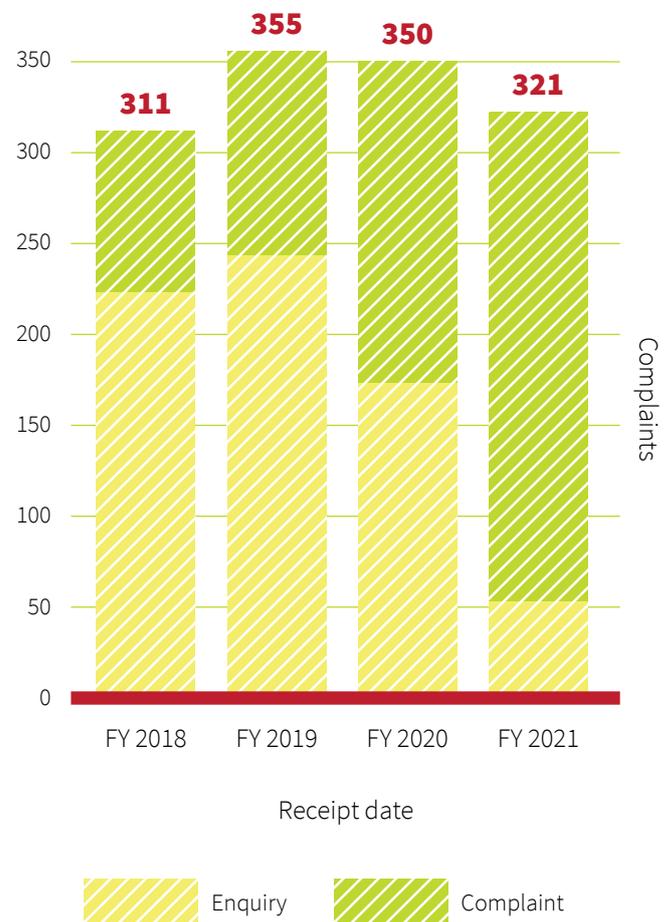
## Complaints

ReturnToWorkSA takes any contact from concerned stakeholders seriously. In March 2020 we made changes to the way we record contacts made from a dissatisfied stakeholder as part of a process improvement that allowed us to ensure the right amount of attention is given to resolving people’s concerns. ReturnToWorkSA classifies 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, but also requires many contacts previously recorded as enquiries to be classified as complaints.

The figure below shows that while complaint numbers appear to have increased, the total number of contacts including both complaints and enquiries has reduced. We are confident that the higher number of complaints is a substitution effect only, with contacts previously recorded as enquiries now recorded as complaints. The numbers in the chart indicate 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 visits, are higher than at any time in the Scheme’s history.

The office of Ombudsman SA conducted an audit of ReturnToWorkSA and its claims agents’ complaint handling procedures during 2020–21, with largely positive findings revealed. The final report detailing the findings of this audit is dated May 2021 and is available on the Ombudsman SA website.

### Complaints & enquiries





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

96%

workers reimbursed within 14 days of us receiving their receipts

99%

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

99%

employer wage expenses reimbursed within 30 day terms

91%

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.

- 91% 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 mental health injuries and claims for injuries incurred many years before lodging the claim for compensation take longer to establish whether or not the person is eligible for assistance. We operate a 'no fault' insurance scheme and of the claims received and determined in 2020–21, approximately 93% were accepted.
- 96% of workers have their expenses reimbursed within 14 days of receipt.
- 99% of employers receive wages reimbursements within 30 business days.
- 99% 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 in 2020–21 from 2,134 to 2,685. While this represents a significant increase in disputes, there was a 63 percent increase in the number of noise induced hearing loss claims received in 2020–21, which have inherently high levels of disputation.

The highest number of disputes are for compensability, which is often linked to having newly claimed injuries included within a Whole Person Impairment (WPI) assessment, or applications for review of economic loss or non-economic loss claims which are also linked to WPI assessment outcomes. The outcomes of these determinations may be linked to significant lump sum payments (up to \$510,000) 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. The average liability attached to such claims is circa \$2 million. Given the high monetary value of these benefits, the level of disputation associated with attempts to access higher levels of it by challenging the outcome of WPI determinations is unsurprising. ReturnToWorkSA has a critical role to play in managing the gateway to these benefits tightly but fairly. 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 2020–21 as part its commitment to continuously improving the quality of decision making.

## 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 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 2021, there were 736 active seriously injured workers 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 114 educational sessions were conducted at medical and allied health clinics and 30 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. 449 allied health and medical professionals completed the online modules this year to date.





# OPIOIDS CAN TAKE AWAY MORE THAN PAIN



 **REACHFORTHEFACTS**.COM  
.AU

## ReachForTheFacts

ReturnToWorkSA recognises the potential harms, including addiction and premature death, associated with the increasing and substantial use of prescription opioids for chronic non-cancer pain as a Scheme and community issue. In 2020–21, ReturnToWorkSA, in collaboration with an established coalition of health and community organisations, developed and launched the second phase of the ReachForTheFacts campaign. Whilst continuing the objective of raising awareness, phase two focussed on broader psychosocial risks associated with prescription opioid misuse such as relationship issues, absenteeism and immobility.

Throughout 2020–21, the ReachForTheFacts campaign ran across multiple media platforms, including television, radio, print media, outdoor advertising and multiple forms of social media. To increase access to a broader audience, cinema and tram advertising were also added in the media mix for this phase of the campaign.

The ReachForTheFacts website—[reachforthefacts.com.au](http://reachforthefacts.com.au)—continues to serve as a central hub for the campaign, providing 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 2020–21, the website was visited over 16,000 times, 572 people used the dependency tool and 566 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 about the use of prescription opioids.

Our partners include:

- Adelaide Primary Health Network
- The Australian Dental Association SA Branch
- The Australasian Faculty of Occupational & 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 196 work injured people during recovery and rehabilitation after 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 compliance reviews of permanent impairment assessment reports to ensure they are compliant with the Act, the Minister's *Impairment Assessment Guidelines* and AMA5 and also provides support to accredited impairment assessors through training and responding to enquiries.



In 2020–21, 2,844 permanent impairment assessment reports were received. Of the total reports received, 82% were compliant on first review and 96% were compliant after contact with the assessor.

## Personalised support and case management

Our specialised unit of Disability 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 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.

## Supporting people with serious injuries to return to work and return to life

The intent of the Act is to help injured workers recover from their injuries and have safe, 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 deeper connection with the community.

ReturnToWorkSA and our claims managers are committed to guiding and supporting injured workers to re-engage with the community.

Emery, a 56 year old farmer, lost his footing and fell off the back of a ute while feeding and counting cattle in 2017. A fracture to his right ankle with vessel compromise resulted in his leg being amputated below the knee.

Following a Permanent Impairment Assessment in 2018, Emery was classified as a seriously injured worker; receiving lifetime treatment, care and support from ReturnToWorkSA.

Emery is very determined, and despite the significant impairment caused by his injury, he regained his B double and motorbike licences and is now back to working 40 hours per week on the farm, sometimes more depending on what is needed.

“I was looking forward to returning to work as soon as I physically could. I worked as hard as I could to get myself back to work, firstly for a few hours a week, through to full time again. I did wonder at times how I would go doing certain jobs, particularly working cattle in the yards, but I have been able to adapt and have successfully carried out what I need to do.

He makes sure all tasks are safe for himself and his employees as he does not want anyone to have to go through what happened to him.



His claims manager supported him with housing modifications, allowing him to use a wheelchair in the evenings when he has finished work, giving him better access to his house and enabling him to assist his wife in the kitchen and around the house.

“I had good support from my claims manager right from the start. He visited me in hospital in Adelaide to discuss some of my urgent needs, then as I got going again we spoke regularly on how I was progressing and what I may need in the future.

“I am very appreciative of the support of my claims manager and now being able to work on the farm and help my wife around the house.

Emery also helps other seriously injured people in the community, attending annual disability conferences and visiting the local hospital to speak with other patients who are having or have had amputations.

His advice to other people who have been seriously injured is: “Don't be afraid to ask for help – the more you are prepared to help yourself, the more people will be willing to help you.

## A personalised approach to recovery and return to work

Ritchie was in a horrific incident in the workplace where he was pinned between a running tractor and a wall. He suffered friction burns to both buttocks, upper legs, back and arm, injuries to his rib, lung, shoulder and ankle, and also suffered from a pulmonary embolism. He required a lengthy admission in hospital and significant skin grafts and dressings.

His claims manager, Amanda, acted quickly, contacting his wife and hospital to provide immediate support. She collaborated with the hospital, ensuring discharge support was in place, and arranged an Activities of Daily Living assessment.

Following my incident things were a bit blurry for the first few weeks, but the one thing that I remember, even when thinking back now, is the phone call that I received from Amanda in the first few days. I was in hospital and she said to me, everything was going to be ok and she was going to support me through. She just gave me the little bit of confidence that I needed at that time.

Following a number of home visits, Amanda noticed that Ritchie was struggling with his mental health, identifying that he might be suffering from post traumatic stress disorder (PTSD). Encouraging him to seek support, he was referred to a psychologist. As a result of his PTSD, he was not even able to drive up the driveway of his worksite so was unable to return to his employer.

When I came home from the hospital she was really worried about my concentration and told me that she would reach out to my doctors. I didn't need to do anything. She just supported me and my confidence in her continued to grow and grow. She took care of all of the processes so my family and I didn't need to worry about this.

Through consultation with those involved in Ritchie's recovery, Amanda recognised that the standard approach to recovery wasn't working. She engaged a local life coach to help with his recovery. Amanda worked collaboratively with the life coach,



Stock image used

encouraging Ritchie to overcome his constant pain and re-establish day to day routines.

"I tailor my assistance to the individual and work out what they will need to regain some sense of normalcy. I am their navigator, and they are the driver in their rehabilitation. My job is to empower them in their recovery, support them in their darkest days and give them the courage to get up in the morning and carry on. That is my job as a Return to Work Specialist.

Amanda used Ritchie's connection to footy and cricket as analogies in his recovery, which resonated with him. She held hope for Ritchie when he couldn't quite see a possibility of regaining his quality of life.

With her encouragement, Ritchie even completed a podcast with his life coach to talk about his experiences and become an advocate for men's mental health in his small rural community.

Without Amanda's help I wouldn't have progressed and been where I am today. She visited me at my home countless times, we would have a bit of laugh and she treated me like a human being. She facilitated all of the right people to assist me and they were all fantastic.

Amanda and I spoke often about what type of work I could return to and I suggested a role from a personal contact. I didn't need to do anything more. Amanda just ran with it, she contacted them to make sure it was medically ok for me, spoke with my Doctor and Psychologist and I gradually returned to work. I am now doing 20 hours a week and I am loving it. Amanda continued to check in on me throughout my return and I really felt that continued support.



## The ReCONNECT Service

ReturnToWorkSA's ReCONNECT Service provides free and voluntary support for people transitioning from Scheme-funded services to community-based programs and services, including:

- 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 various stages in their transition from the Scheme, including when they have a dispute regarding their work injury claim, 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.

## 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 support including subsidised wages.

In 2020–21, 93 applications for RISE subsidies from employers were approved.

The ReCONNECT Service received 434 referrals in 2020–21. 94% of clients achieved their ReCONNECT goal in 2020–21 and this includes 21 clients who were supported to secure employment.

## Employer Education Advisory services

Our Employer Education Advisory service provides support and education to employers and Return to Work Coordinators to effectively manage recovery and return to work within their workplace. Support is provided by telephone and email as well as various workshops being held as part of the free skill building program.

This year, the return to work skill building program conducted a total of 36 workshops, with 473 participants. This included two regional workshops held in Murray Bridge and the Barossa. Workshops focused on enhancing the skills of Return to Work Coordinators, managing psychological injuries, identifying and resolving conflict within the return to work process, the important role of managers in supporting return to work, and early intervention. Feedback demonstrated that 87% of participants found the workshops either very useful or extremely useful.

The demand for Return to Work Coordinator training continued to grow throughout 2020–21, with 55 training courses delivered by four approved providers (both metropolitan and regionally based) face-to-face or online. This resulted in more than 583 Return to Work Coordinators achieving certification.

Throughout 2020–21, the Employer Education Advisory service continued to provide Return to Work Coordinators with access to quarterly email newsletters, subscription to the Return to Work Matters website and topical information through the use of a private Facebook group, which has grown significantly since last year with 600 members.

## **Mentally Healthy Workplaces Program**

ReturnToWorkSA is committed to providing support for mentally healthy workplaces in South Australia. The Mentally Healthy Workplaces Program is available to all employers in South Australia and provides free education and consultancy services for those workplaces wanting to take action to embed mental health and wellbeing into their 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 24 workshops, both face-to-face and online, to 277 participants.

In 2020–21, ReturnToWorkSA developed and implemented a Mentally Healthy Workplaces 'Train the Trainer' program. Designed to assist large and self-insured employers to build a mentally healthy workplace culture and offer them a flexible and sustainable approach, the program provides participants the skills, tools and resources to use within their organisations.

ReturnToWorkSA continues to work collaboratively with a broad range of stakeholders including Beyond Blue, the National Mental Health Commission, Wellbeing

SA, Office of the Small Business Commissioner, Business SA, SA Unions, SafeWork SA, the Mental Health Coalition of SA and Mates in Construction, to align state-wide efforts around workplace mental health. Joint industry workshops with Wellbeing SA have also been delivered to support workplace wellbeing programs, incorporating both physical and mental health.

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

In 2020–21, the Low Intensity Mental Health Support Service was accessed by over 234 injured workers with an accepted or pending claim. This service supports injured workers experiencing stress or mild to moderate anxiety and depression, assisting in their recovery and return to work. 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 is also available to family members who are actively supporting the injured worker's recovery and return to work and has recently expanded to offer a specific coaching program for Indigenous workers and their family members.

## **Insurance Risk Management Program**

In support of the 2020–24 strategic plan, ReturnToWorkSA, in conjunction with our claims agents,

continues to provide workplace safety and injury management support to employers with a high number of income support claims, or where workers are not getting the workplace support they need in their return to work journey. ReturnToWorkSA has provided support to 340 employers in the first half of 2021, including 155 worksite visits and audits.

A deteriorating claims experience within the labour hire industry in 2020–21 has seen claims costs exceed \$24 million. ReturnToWorkSA staff have started visiting labour hire employers and have engaged with the national employer body Recruitment, Consulting and Staffing Association (RCSA). The labour hire industry will remain a key focus in 2021–22, and we will continue to engage with labour hire employers and meet with local association representatives. Workplaces (host employers) using labour hire will also be visited where safety risks are evident from the claims being lodged. Host employers are encouraged to support the early return to work of any one injured at their workplace.

The Collaborative Partnership for Workplace Health and Wellbeing in South Australia, involving ReturnToWorkSA, Wellbeing SA, SafeWork SA together with government departments, employer and employee associations and universities continues to work towards a safer South Australia.



The Healthy Workplaces website [healthyworkplaces.sa.gov.au](http://healthyworkplaces.sa.gov.au) was launched in 2020–21, providing a central source of information, tools and resources to help South Australian businesses create healthy, safe and thriving workplaces. In 2021–22 the collaborative partnership is continuing to research workplace needs. The next phase will look to the development of tools and resources to support workplaces to effectively implement strategies that support staff wellbeing.

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 such as safety leadership.

### **Providing free information and advisory services**

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

The service commenced in August 2013, and during 2020–21, the LSC

received 309 phone enquiries and conducted 39 advice appointments.

ReturnToWorkSA entered into a 1 year funding agreement with SA Unions' Advocacy Unit, commencing on 15 March 2021, to provide workers compensation advice and representation, including representation at the South Australian Employment Tribunal on applications for review to the conciliation level. From that time to 30 June 2021, SA Unions' Advocacy Unit accepted 47 requests for services, conducted 47 advice conferences and resolved 33 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 2020–21:

- \$609 million (inclusive of GST and WHS) in insurance premium revenue was collected from more than 54,000 registered employers
- 4,532 businesses ceased registration during the year whilst 7,095 new business registrations were received.

The Return to Work scheme is funded by South Australian employers. ReturnToWorkSA collects a premium from more than 54,000 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 2020–21 was much less than 2% at 1.65%, and adjusting for the unintended consequence of the *Summerfield* decision impact, the Scheme was fully funded at 106.3%. However with the impact of the *Summerfield* decision being factored into this year's accounts the Scheme is now less than fully funded at 91.9%. If ReturnToWorkSA is unsuccessful with its High Court appeal the funding ratio will fall further. Should the current decision stand, the challenge facing ReturnToWorkSA as the administrator of the Scheme charged with the responsibilities set out above, is to inform Government and stakeholders of the impacts to future premiums and the funding level of the Scheme. ReturnToWorkSA will not be able to charge an average premium rate of less than 2% and return the Scheme to full funding if this is the case. This is unable to be controlled by how the Scheme is administered, but is an outworking of where the newly interpreted Scheme boundaries exist and the costs associated with the much higher level of benefits to be paid.

### **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:

- Employer choice: employers can choose to have their premium based on prior year actual remuneration (with no end of year adjustment) or an estimate of current year remuneration (with an end of year adjustment when actual remuneration is known). This enables them to choose the option that is best for their business. Choosing the previous year's remuneration is faster and easier for many employers.



52% of employers chose to have their premium based on the previous year's remuneration.

- Flexible payment options, as premiums can be paid in nine equal instalments or in one payment and via credit card or EFT.
- 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.
- Large employers can opt in to the Retro Paid Loss (RPL) arrangement. 83 employers are current participants.

## Supporting South Australian businesses through COVID-19

The ReturnToWorkSA Board has determined that wage subsidy payments under the Commonwealth Government JobKeeper Program would not be included in remuneration for calculation of premium for 2020–21. The Board took this action to support South Australian businesses to maintain economic viability and employment during the COVID-19 pandemic. ReturnToWorkSA has supported employers through the impacts of COVID-19 through payment arrangements and deferrals. Our flexible premium model allows us to adjust premium payable immediately if remuneration is impacted or the employer is in financial hardship.

## Continuing to make it easier for South Australian businesses

In August 2020, we introduced new and simplified system capability to allow employers easier access to update their employer registration in real time. This is a continuation of system capability introduced in June 2020 that allowed businesses to register or cancel their registration with ReturnToWorkSA online or over the phone.

In June 2021, we introduced direct debit system functionality to simplify the process for employers to establish the creation, set up and amendment of direct debit to support timely premium payments.

## Our investment program

### Net investment return at 30 June 2021

Past year	Past 3 years	Past 5 years
11.8%	6.6%	7.0%

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 appoint fund managers who integrate Environmental, Social and Governance (ESG) factors into their investment process. A poor ESG rating will result in the non-appointment of any new fund manager.

We annually review incumbent fund managers' ESG capabilities and engage with incumbent fund managers on a range of matters, including climate change and modern slavery. A summary of ESG findings are provided annually to the Board Investment and Finance Committee.

## Board approved strategic asset allocation

Throughout 2020–21, 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 214 referrals of suspected fraud in 2020–21. Following triage and analysis of these referrals, 71 investigations were commenced.

### Referrals, investigations & prosecutions

	2017–18	2018–19	2019–20	2020–21
Referrals	246	189	209	214
Investigations	57	32	50	71
Prosecutions	4	1	0	1

## 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 termination of an injured worker’s contract of employment. ReturnToWorkSA has worked closely with our stakeholders during 2020–21 to ensure that potential suitable employment breaches are identified and referred for further investigation.



358 suitable employment investigations were completed in 2020–21.

ReturnToWorkSA applies a robust, evidence-based process to investigate and treat suspected instances of non-compliance referred by stakeholders, as well as those identified through a proactive premium compliance program. Thirteen investigations focused on employers suspected of knowingly avoiding premium obligations. These investigations resulted in \$464,000 additional premium charged.



ReturnToWorkSA completed 359 employer premium audits in 2020–21, with \$1.8m billed in additional premium.



## Regulating Private and Crown self-insured employers

Self-insured employers are a significant part of the Return to Work scheme. In 2020–21, Crown and Private self-insured employers:



employed approximately 230,736 employees in South Australia, or 27% of the South Australian labour force (as at June 2021)



declared an estimated \$18.4 billion or 36% of total declared remuneration in the prior year



reported 5,241 claims for compensation as at July 2021.

In 2020–21, self-insured employers were surveyed to seek feedback on ReturnToWorkSA's approach to Partnership Plan activities to assess whether the frequency and types of support activities offered continue to effectively assist employers to fulfil the regulatory requirements of the Act.

The ReturnToWorkSA Partnership Plan has been enhanced to ensure compliance and support activities are well-defined and understood. Effective from 1 July 2021, self-insured employers will be provided with a simplified, self-select approach to support activities. Compliance activities will continue to be determined from evaluation outcomes and defined through terms and conditions of registration.

In 2020–21, the Crown Injury Management Regulatory Program included an audit of seven agencies. Audit outcomes indicate agencies are adequately maintaining systems to administer the powers and discretions delegated to Crown employers under the Act.

As at 30 June 2021, there were 70 private self-insured employers registered in the Scheme. Of the self-insured employers who have completed their initial term of registration, 85% (60 of 70) achieved a renewal for a period of three years or more. This includes 33 (56%) self-insured employers 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 2021:

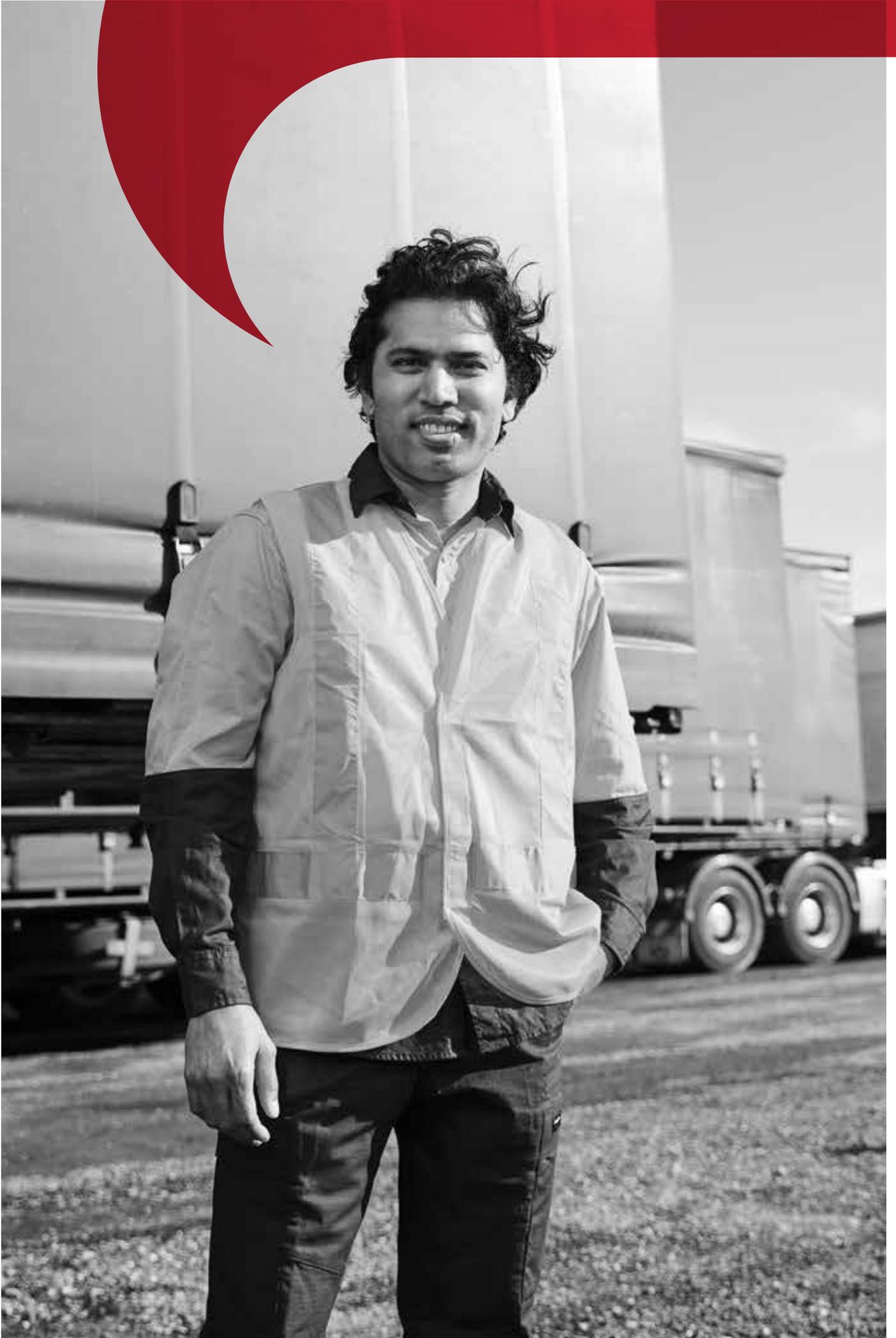
- 10 private self-insured renewals were completed.
- 1 new application for self-insurance was approved.
- 3 employers ceased self-insurance.





## The following private employers were self-insured at 30 June 2021

Accolade Wines Australia Limited	ElectraNet Pty Ltd	Royal Automobile Association of South Australia Inc
Adelaide Brighton Cement Limited	Electrolux Home Products 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
Carter Holt Harvey Building Products Pty Ltd	Kmart Australia Limited	Thomas Foods International Consolidated Pty Ltd
Catholic Church Endowment Society Inc	Little Company Of Mary Health Care Limited	Toll Holdings Limited
Churches Of Christ Life Care Inc	Local Government Association of South Australia	Treasury Wine Estates Vintners Limited
Coca-Cola Amatil (Aust) Pty Ltd	Lutheran Homes Inc	University of South Australia
Coles Group Limited	Nationwide News Pty Limited	Utilities Management Pty Ltd
Competitive Foods Australia Pty Ltd	Nyrstar Port Pirie Pty Ltd	Ventia Australia Pty Ltd
David Jones Pty Limited	OneSteel Manufacturing Pty Ltd	Veolia Environmental Services (Australia) Pty Ltd
Detmold Packaging Pty Ltd	Pernod Ricard Winemakers Pty Ltd	Viterra Operations Pty Ltd
Drake SuperMarkets Pty Ltd	Philmac Pty Ltd	Westpac Banking Corporation
E & A Limited	Programmed Maintenance Services Limited	Woolworths Group Ltd
ECH Inc	Randstad Pty Ltd	
Eldercare Incorporated	Resthaven Incorporated	





# WORKFORCE MANAGEMENT SUMMARY

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As part of ReturnToWorkSA's ongoing management of COVID-19, we continued our five phase roadmap focused on proactively protecting and supporting our employees' wellbeing, mental health and safety.

We were able to respond quickly and sensitively to changes to community and government requirements particularly during brief lockdowns during the year while maintaining business continuity and a safe work environment consistent with guidelines established by SA Health and Safe Work Australia.

We continued to review our experiences and the lessons we have learned during COVID-19 to ensure we continue to evolve our business operations.

## **ReturnToWorkSA workforce strategy**

We recognise that our employees are critical to our success. We have in place a comprehensive Workforce Strategy that guides our efforts to:

1. attract and retain great employees
2. inspire and empower employees
3. create a culture of collective contribution
4. build personal and organisational health and resilience
5. ensure we have the right capability to deliver our core business now and into the future.

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

97% of employees have had a performance review in the last 12 months.

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

In 2020–21, ReturnToWorkSA employees engaged in a range of holistic health and wellbeing activities.

Our nationally recognised 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 continue to strive to ensure we maintain exemplary work health and safety practices. As such, we 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.

<b>Workplace injury claims</b>	<b>Current year 2020-21</b>	<b>Past year 2019-20</b>
Total new workplace injury claims	1	Nil
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)	1	Nil

\*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).

<b>Work health and safety regulations</b>	<b>Current year 2020-21</b>	<b>Past year 2019-20</b>
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

<b>Return to work costs**</b>	<b>Current year 2020-21</b>	<b>Past year 2019-20</b>
Total gross workers compensation expenditure (\$)	\$153,076	\$146,897
Income support payments – gross (\$)	\$125,850	\$7,028

\*\*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).

## Executive employment in the agency

<b>Executive classification</b>	<b>Number of executives</b>
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.

## Ensuring an inclusive workplace

### Culture of inclusion

In 2020, we introduced a broad Cultural Inclusion Program. The program brings together a raft of initiatives aimed at respectfully acknowledging and celebrating the rich diversity of our workforce and community in which we operate.

The program also looks to raise awareness of the importance of national reconciliation and acknowledgement of the traditional land owners.

## Employment opportunities

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

## Disability access and inclusion plans

We have in place our *Disability Access and Inclusion Plan 2019–22*. 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
- we provide information (publications, products and online) in accessible formats, including braille, audio and e-text
- we ensure our corporate website, intranet and online services meet appropriate standards (Web Content Accessibility Guidelines 2.0)
- we regularly review the accessibility of facilities for people with a disability
- we ensure we continue to comply with legislative requirements.



# 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 Treasurer.

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 2021, the ReturnToWorkSA Board comprised:

- Greg McCarthy, Chairman
- Joanne Denley
- Yvonne Sneddon
- Nigel McBride
- Chris Latham
- A/Prof William Griggs, AM, ASM
- Elizabeth Perry, AM

## 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 2021, comprised:

- Michael Francis, Chief Executive Officer
- Declan Collins, Chief Operating Officer Insurance
- Des Quirk, Chief Financial Officer
- Julia Oakley, 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 strategic direction, 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 2020–21, there were no instances of internal fraud detected.

## Cyber Security

We manage a large volume of workers', employers' and service providers' information and it is extremely important to us that we maintain the integrity of this information and keep it secure.

Information security threats are growing globally, along with an increasing sophistication in the methods used and expanding magnitude of possible consequences from a malicious attack.

At ReturnToWorkSA we have recognised the intensifying threat to our information security and responded accordingly. In the last 12 months we have:

- more than doubled the size of our cyber security team
- ramped up cyber security awareness activities for our staff and claims agents
- maintained our ongoing program of mandatory training for our staff and claims agents
- successfully prevented multiple targeted attacks
- put into operation a web application firewall to protect our most heavily used public facing services

- proactively invested in supply chain security, implementing a platform to monitor our vendors across a range of areas
- reviewed our technical environment to ensure it is managed in alignment with the South Australian Cyber Security Framework
- had our security program independently audited by KPMG.

No cyber security breaches were detected in the last year. Our team was kept busy with a steady stream of attempted breaches throughout the year. A spike in activity around November was due to an increase in the number of South Australian employers that suffered ransomware attacks or were otherwise compromised, and we experienced some flow-on effects due to the relationship we have with employers.

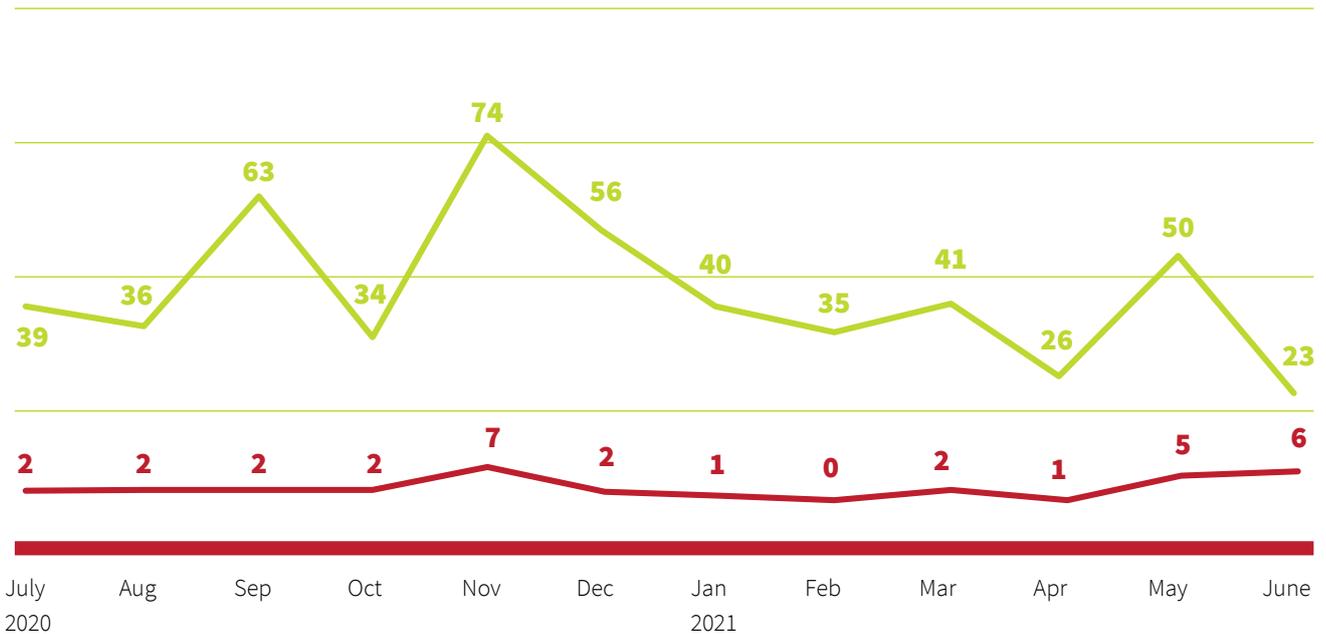
Through a program of continuous improvement and targeted initiatives, we will continue to maintain and enhance the security and integrity of our customers' information.

### Security actions

Security actions are activities that we undertake proactively or reactively to stop security incidents from occurring.

### Security incidents

Security incidents are events that occur where a breach or attempted breach occurs.





## Administrative matters

### Access to information

In 2020–21, access to information held by us 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 2020–21, 1,477 applications were received for access to information. Of these, 1,234 (84%) were lodged under section 180 of the Act (2019–20: 1,086) and 243 (16%) under the FOI Act (2019–20: 390).

If an applicant is dissatisfied with a determination under section 180 of the Act or the FOI Act, they can apply for a review of that determination.

In 2020–21, we received one internal review under section 180 of the Act and one internal review under the FOI Act. There were no external reviews lodged in 2020–21.

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 2020–21, 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>		Nil	Nil
<b>Total over \$10,000</b>		7	1,784,678
Dymond, Foulds & Vaughan	Investment Consulting		
Ernst & Young	Consultancy Advice		
Finity	Actuarial Advice		
Frontier Advisors	Investment Consulting		
Kindling Solutions	Consultancy Advice		
PricewaterhouseCoopers	Consultancy Advice		
Willis Towers Watson	Investment Consulting		
<b>Total</b>		<b>7</b>	<b>1,784,678</b>



# **FINANCIAL STATEMENTS**

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# **ReturnToWorkSA**

ABN 83 687 563 395

## **Annual financial report for the year ended 30 June 2021**

# ReturnToWorkSA

## Annual financial report - 30 June 2021

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**ReturnToWorkSA**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2021**

	Notes	2021 \$'000	2020 \$'000
Premium revenue	8(a)	<b>533,365</b>	518,811
Cost of claims	9	<b>(1,235,128)</b>	(711,529)
Claims management fees		<b>(66,108)</b>	(54,701)
Tribunal and ombudsman fees	12	<b>(8,761)</b>	(8,841)
<b>Underwriting result</b>		<b>(776,632)</b>	(256,260)
Net investment profit/(loss)	8(b)	<b>399,369</b>	(1,971)
Self-insured employer fee	8(c)	<b>11,909</b>	12,066
Other income		<b>269</b>	253
<b>Net investment profit and other income</b>		<b>411,547</b>	10,348
General operating expenses	13	<b>(53,753)</b>	(57,291)
Finance costs	15	<b>(78)</b>	(132)
<b>Total operating expenses</b>		<b>(53,831)</b>	(57,423)
<b>Operating profit/(loss) before tax equivalents</b>		<b>(418,916)</b>	(303,335)
Tax equivalents	16	-	-
<b>Total comprehensive result</b>		<b>(418,916)</b>	(303,335)

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

**ReturnToWorkSA**  
**Statement of Financial Position**  
**As at 30 June 2021**

	Notes	2021 \$'000	2020 \$'000
<b>Assets</b>			
Trade and other receivables	20	81,360	70,485
Investments	21	3,896,221	3,527,697
Property, plant and equipment	22	2,341	1,620
Right-of-use assets	23	2,198	4,339
Intangible assets	24	-	-
Total assets		<b>3,982,120</b>	3,604,141
<b>Liabilities</b>			
Trade and other payables	26	19,435	17,037
Outstanding claims	10, 11	4,301,344	3,504,515
Lease liabilities	27	2,336	4,477
Employee benefits	17(c)	7,694	7,803
Provisions	28	-	82
Total liabilities		<b>4,330,809</b>	3,533,914
Net assets		<b>(348,689)</b>	70,227
<b>Equity</b>			
Retained earnings		<b>(348,689)</b>	70,227
Total equity		<b>(348,689)</b>	70,227
Employer financial guarantees	32		
Self-Insured Insolvency Contribution Aggregate	33		
Contingent liabilities	34		

*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 2021**

	<b>Retained earnings \$'000</b>
<b>Total equity at 1 July 2019</b>	373,562
Total comprehensive result	<u>(303,335)</u>
Total equity at 30 June 2020	<u>70,227</u>
<b>Total equity at 1 July 2020</b>	70,227
Total comprehensive result	<u>(418,916)</u>
Total equity at 30 June 2021	<u>(348,689)</u>

*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 2021**

	2021	2020
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Premium receipts	596,179	582,027
Claim recoveries	13,147	13,276
Other receipts	296	278
Claim and other related payments	(473,766)	(481,254)
Interest received	29,406	34,019
Dividends received	78,539	68,983
Other payments to suppliers and employees	(121,133)	(113,539)
GST	(40,981)	(39,133)
Interest paid	(78)	(132)
Investment expenses	(6,020)	(5,998)
Net cash flows from/(used in) operating activities	29 <u>75,589</u>	<u>58,527</u>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of investments	1,126,257	658,920
Acquisition of property, plant and equipment	(1,774)	(90)
Acquisition of investments	(1,231,641)	(646,515)
Net cash flows from/(used in) investing activities	<u>(107,158)</u>	<u>12,315</u>
<b>Cash flows from financing activities</b>		
Repayment of principal portion of lease liabilities	(2,188)	(2,085)
Net cash flows from/(used in) financing activities	<u>(2,188)</u>	<u>(2,085)</u>
Net increase/(decrease) in cash and cash equivalents	(33,757)	68,757
Cash and cash equivalents at the beginning of the period	214,585	145,828
Cash and cash equivalents at the end of the period	19 <u>180,828</u>	<u>214,585</u>

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

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2021**

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**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2021**

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# ReturnToWorkSA

## Notes to and forming part of the financial statements

### 30 June 2021

#### 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 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 2021

#### 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, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on RTWSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of 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 16.5% for the Compensation Fund (2020: 14.3%) and 10.5% for the Statutory Reserve Fund (2020: 10.5%) and the Insurance Assistance Fund (2020: 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% (2020: 45.0%) at 75.0% (2020: 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 IBNR which relates principally to claims for asbestos related diseases affects mainly the Statutory Reserve Fund and the Insurance Assistance Fund. The outstanding liability for the Mining and Quarrying Industries Fund, which had its triennial valuation at 30 June 2019, 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 2021**

**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 2021

	Compensation Fund Notes	Statutory Reserve Fund \$'000	Insurance Assistance Fund \$'000	Mining & Quarrying Industries Fund		<b>2021 Total Funds \$'000</b>	2020 Total Funds \$'000
				Part A \$'000	Part B \$'000		
Premium revenue	533,365	-	-	-	-	<b>533,365</b>	518,811
Cost of claims	(1,238,133)	2,988	17	-	-	<b>(1,235,128)</b>	(711,529)
Claims management fees	(66,108)	-	-	-	-	<b>(66,108)</b>	(54,701)
Tribunal and ombudsman fees	(8,761)	-	-	-	-	<b>(8,761)</b>	(8,841)
<b>Underwriting Result</b>	<b>(779,637)</b>	<b>2,988</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>(776,632)</b>	<b>(256,260)</b>
Net investment profit	372,762	21,506	3,444	40	1,617	<b>399,369</b>	(1,971)
Self-insured employer fee	11,909	-	-	-	-	<b>11,909</b>	12,066
Other income	269	-	-	-	-	<b>269</b>	253
<b>Net investment profit and other income</b>	<b>384,940</b>	<b>21,506</b>	<b>3,444</b>	<b>40</b>	<b>1,617</b>	<b>411,547</b>	<b>10,348</b>
General operating expenses	(52,977)	-	-	-	(776)	<b>(53,753)</b>	(57,291)
Finance costs	(78)	-	-	-	-	<b>(78)</b>	(132)
<b>Total operating expenses</b>	<b>(53,055)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(776)</b>	<b>(53,831)</b>	<b>(57,423)</b>
<b>Operating profit/(loss) before tax equivalents</b>	<b>(447,752)</b>	<b>24,494</b>	<b>3,461</b>	<b>40</b>	<b>841</b>	<b>(418,916)</b>	<b>(303,335)</b>
Tax equivalents	-	-	-	-	-	-	-
<b>Total comprehensive result</b>	<b>(447,752)</b>	<b>24,494</b>	<b>3,461</b>	<b>40</b>	<b>841</b>	<b>(418,916)</b>	<b>(303,335)</b>

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2021**

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

(b) Statement of Financial Position as at 30 June 2021

	Notes	Compensation Fund \$'000	Statutory Reserve Fund \$'000	Insurance Assistance Fund \$'000	Mining & Quarrying Industries Fund		2021 Total Funds \$'000	2020 Total Funds \$'000
					Part A \$'000	Part B \$'000		
<b>Assets</b>								
Trade and other receivables		81,343	-	-	-	17	<b>81,360</b>	70,485
Investments		3,644,408	203,619	32,808	382	15,004	<b>3,896,221</b>	3,527,697
Property, plant and equipment		2,341	-	-	-	-	<b>2,341</b>	1,620
Right-of-use assets		2,195	-	-	-	3	<b>2,198</b>	4,339
Total assets		<u>3,730,287</u>	<u>203,619</u>	<u>32,808</u>	<u>382</u>	<u>15,024</u>	<b><u>3,982,120</u></b>	<u>3,604,141</u>
<b>Liabilities</b>								
Trade and other payables		19,435	-	-	-	-	<b>19,435</b>	17,037
Outstanding claims	10, 11	4,241,637	59,452	155	100	-	<b>4,301,344</b>	3,504,515
Lease liabilities		2,333	-	-	-	3	<b>2,336</b>	4,477
Employee benefits		7,694	-	-	-	-	<b>7,694</b>	7,803
Provisions		-	-	-	-	-	-	82
Total liabilities		<u>4,271,099</u>	<u>59,452</u>	<u>155</u>	<u>100</u>	<u>3</u>	<b><u>4,330,809</u></b>	<u>3,533,914</u>
Net assets		<u>(540,812)</u>	<u>144,167</u>	<u>32,653</u>	<u>282</u>	<u>15,021</u>	<b><u>(348,689)</u></b>	<u>70,227</u>
<b>Equity</b>								
Retained earnings		<u>(540,812)</u>	<u>144,167</u>	<u>32,653</u>	<u>282</u>	<u>15,021</u>	<b><u>(348,689)</u></b>	<u>70,227</u>
Total earnings		<u>(540,812)</u>	<u>144,167</u>	<u>32,653</u>	<u>282</u>	<u>15,021</u>	<b><u>(348,689)</u></b>	<u>70,227</u>

**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>2021</b>	2020
	<b>\$'000</b>	\$'000
Funded position	<u>(348,689)</u>	<u>70,227</u>
Funding percentage	<u>91.9%</u>	<u>102.0%</u>

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

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2021**

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

The COVID-19 pandemic did impact on the operations of RTWSA during the year and the impacts are included under the relevant disclosure notes. The main impact in 2020-21 was reduced growth in remuneration and premium.

**Note 8 Income**

**(a) Premium revenue**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Registered employer premium	<b>533,380</b>	519,000
Fines and penalties	<b>(15)</b>	(189)
Premium revenue	<b>533,365</b>	518,811

*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 26).

**(b) Net Investment profit/(loss)**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Dividends	<b>78,539</b>	68,983
Interest received	<b>29,406</b>	34,019
Change in net market values:		
Investment held at end of financial year	<b>177,528</b>	(58,629)
Investment realised during the financial year	<b>119,369</b>	(40,891)
Investment profit	<b>404,842</b>	3,482
Investment expenses	<b>(5,473)</b>	(5,453)
Net investment profit/(loss)	<b>399,369</b>	(1,971)

*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.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2021**

**Note 8 Income (continued)**

(c) Self-insured employer fee

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Self-insured employer fee - SA Government	<b>5,414</b>	5,548
Self-insured employer fee - Non SA Government	<b>6,495</b>	6,518
Self-insured employer fee	<b>11,909</b>	12,066

**Note 9 Cost of claims**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
	Notes	
Income support	<b>172,254</b>	171,004
Redemptions	<b>(45)</b>	-
Lump sum payments	<b>109,554</b>	100,072
Hospital treatment	<b>16,405</b>	18,396
Medical treatment	<b>79,001</b>	79,744
Vocational rehabilitation	<b>12,059</b>	15,494
Physiotherapy	<b>11,278</b>	10,588
Legal costs	<b>38,645</b>	37,104
Other	<b>21,909</b>	25,000
Claims paid	<b>461,060</b>	457,402
Less recoveries from other parties	<b>(11,952)</b>	(12,069)
Net claims paid	<b>449,108</b>	445,333
Increase/(decrease) in net outstanding claims liability	10, 11 <b>787,565</b>	258,348
Net self-insurer settlements	<b>(1,545)</b>	7,848
Cost of claims	<b>1,235,128</b>	711,529

*Claim recoveries*

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

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

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**Notes to and forming part of the financial statements**  
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**Note 10 Outstanding claims liability - Compensation Fund**

(a) Outstanding claims

	Notes	2021 \$'000	2020 \$'000
Expected future gross claims payments (undiscounted)		5,811,675	4,243,423
Discount to present value		(2,170,785)	(1,234,202)
Central estimate		3,640,890	3,009,221
Risk margin		600,747	430,319
Liability for outstanding claims		4,241,637	3,439,540
Recoveries	20	(84,188)	(74,924)
Net liability for outstanding claims		4,157,449	3,364,616
Current liability for outstanding claims		509,872	501,619
Non-current liability for outstanding claims		3,731,765	2,937,921
Total liability for outstanding claims		4,241,637	3,439,540
Change in liability for outstanding claims		802,097	272,562
Change in claim recoveries receivable		(9,264)	(11,287)
Movement in net outstanding claims liability		792,833	261,275

Weighted average expected term to settlement 15.0 years 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. A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the net liability is adequately provided to approximately a 75% (2020: 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 or income in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 16.5% (2020: 14.3%) to bring the estimated net liability to a 75% (2020: 75%) probability of sufficiency.

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

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**Notes to and forming part of the financial statements**  
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**Note 10 Outstanding claims liability - Compensation Fund (continued)**

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

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

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 increase in the outstanding claims liability includes the net impact of the increase in the average discount rate from 1.88% at 30 June 2020 to 2.40% at 30 June 2021.

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>2021 Total \$'000</b>	Current year \$'000	Prior years \$'000	2020 Total \$'000
<b>Undiscounted</b>						
Gross incurred	1,165,766	1,281,327	<b>2,447,093</b>	899,907	(267,824)	632,083
Recoveries	(15,427)	(7,989)	<b>(23,416)</b>	(15,016)	(8,753)	(23,769)
Net incurred	<u>1,150,339</u>	<u>1,273,338</u>	<b><u>2,423,677</u></b>	<u>884,891</u>	<u>(276,577)</u>	<u>608,314</u>
<b>Discounted</b>						
Gross incurred	835,764	493,057	<b>1,328,821</b>	729,665	60,712	790,377
Recoveries	(14,976)	(8,159)	<b>(23,135)</b>	(14,759)	(9,923)	(24,682)
Net incurred	<u>820,788</u>	<u>484,898</u>	<b><u>1,305,686</u></b>	<u>714,906</u>	<u>50,789</u>	<u>765,695</u>
<b>Discount and discount movement</b>						
Gross incurred	(330,002)	(788,270)	<b>(1,118,272)</b>	(170,242)	328,536	158,294
Recoveries	451	(170)	<b>281</b>	257	(1,170)	(913)
Net discount movement	<u>(329,551)</u>	<u>(788,440)</u>	<b><u>(1,117,991)</u></b>	<u>(169,985)</u>	<u>327,366</u>	<u>157,381</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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**Notes to and forming part of the financial statements**  
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**Note 10 Outstanding claims liability - Compensation Fund (continued)**

**(c) Claims development**

	Year ended 30 June 2011		Year ended 30 June 2012		Year ended 30 June 2013		Year ended 30 June 2014		Year ended 30 June 2015		Year ended 30 June 2016		Year ended 30 June 2017		Year ended 30 June 2018		Year ended 30 June 2019		Year ended 30 June 2020		Year ended 30 June 2021	
	Prior years*	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Estimate of ultimate claims cost**</b>																						
At the end of the year	7,143,620	527,850	625,012	665,173	574,982	353,734	406,719	411,384	421,395	534,781	563,788	637,576										
One year later	7,115,963	586,296	616,974	602,689	403,139	373,333	407,683	407,585	466,182	478,043	622,625											
Two years later	7,232,456	562,035	581,152	435,366	400,500	339,167	409,268	436,585	473,493	644,584												
Three years later	7,246,841	545,014	415,185	448,842	387,006	364,907	422,385	462,185	582,935													
Four years later	7,262,219	448,017	416,116	433,620	401,389	384,569	422,591	521,700														
Five years later	6,833,818	429,945	413,940	426,533	413,075	419,405	468,244															
Six years later	6,884,714	405,541	415,322	446,462	405,411	432,706																
Seven years later	6,813,335	415,383	431,659	433,923	410,852																	
Eight years later	6,901,558	420,175	424,538	447,763																		
Nine years later	6,903,541	415,607	434,123																			
Ten years later	6,893,108	417,678																				
Eleven years later	6,888,983																					
Current estimate of cumulative claims costs**	6,888,983	417,678	434,123	447,763	410,852	432,706	468,244	521,700	582,935	644,584	622,625	637,576										
Cumulative payments**	6,582,855	351,078	353,533	345,548	307,050	266,512	287,572	279,412	280,478	286,773	206,784	74,589										
Outstanding payments**	306,128	66,600	80,590	102,215	103,802	166,194	180,672	242,288	302,457	357,811	415,841	562,987										
Discount adjustment***	241,272	17,925	17,131	16,570	13,162	16,462	13,320	12,861	11,279	7,858	2,928	375										
Net outstanding claims	547,400	84,525	97,721	118,785	116,964	182,656	193,992	255,149	313,736	365,669	418,769	563,362										

\* Development of incurred cost estimate for accidents prior to 30 June 2010 since 30 June 2010.

\*\* 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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**Notes to and forming part of the financial statements**  
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**Note 10 Outstanding claims liability - Compensation Fund (continued)**

(c) Claims development (continued)

	2021 \$'000	2020 \$'000
Prior years	547,400	595,881
Year ended 30 June 2011	84,525	86,872
Year ended 30 June 2012	97,721	91,231
Year ended 30 June 2013	118,785	108,677
Year ended 30 June 2014	116,964	118,716
Year ended 30 June 2015	182,656	178,914
Year ended 30 June 2016	193,992	164,479
Year ended 30 June 2017	255,149	221,773
Year ended 30 June 2018	313,736	243,941
Year ended 30 June 2019	365,669	383,670
Year ended 30 June 2020	418,769	483,837
Year ended 30 June 2021	563,362	-
Net outstanding claims	3,258,728	2,677,991
Claims handling expenses	309,898	265,680
Risk margin	588,823	420,945
Net liability for outstanding claims	4,157,449	3,364,616

(d) Maturity profile

	Up to 1 yr \$'000	1 to 3 yrs \$'000	3 to 5 yrs \$'000	5 to 10 yrs \$'000	10 to 20 yrs \$'000	Over 20 yrs \$'000	Total \$'000
2021	488,535	684,164	356,681	571,799	812,620	1,243,650	4,157,449
2020	477,121	546,984	275,074	443,398	633,378	988,661	3,364,616

(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:

	2021	2020
<b>Economic Assumptions</b>		
Inflation rate - income support	0.00% to 2.80%	0.00% to 2.30%
Inflation rate - medical, legal and other costs	1.50% to 2.90%	2.00% to 2.40%
Superimposed inflation rate - medical payments	0.00% to 2.00%	0.00% to 2.00%
Superimposed inflation rate - other	0.00% to 2.00%	0.00% to 2.00%
Discount rate	2.40%	1.88%
Duration and severity of claims	Refer below	Refer below
Claims handling expenses	9.30%	9.70%
Risk margin	16.50%	14.30%

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 (assessed as having a whole person impairment (WPI) greater than 30%)

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**Notes to and forming part of the financial statements**  
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**Note 10 Outstanding claims liability - Compensation Fund (continued)**

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

- 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.

The assumptions and allowances adopted to account for the 11 March 2021 decision by the Full Court of the Supreme Court of South Australia in the case of RTWSA v Summerfield (*Summerfield*) has materially impacted the outstanding claims liability valuation estimate as at 30 June 2021.

The decision substantially differs from RTWSA's position and interpretation on how key aspects of WPI assessments should be undertaken. Notwithstanding that RTWSA maintains its position, and has applied for special leave to appeal the *Summerfield* decision to the High Court of Australia, the litigation process can lead to unpredictable results and the appeal outcome is unknowable.

The key consequences of *Summerfield* as they affect the valuation are that some WPI scores will be higher which would result in more claimants being assessed as seriously injured leading to higher claim costs. The actuary has had to make allowance for the potential costs should the decision not be overturned on appeal.

The allowance has been estimated on a probability-weighted basis by specifying possible outcomes and attaching likelihoods to them. The estimated cost under the different possible outcomes (which range from nil to \$873 million) have been combined with the assessed likelihood of each outcome occurring to determine a central estimate of \$431 million. To obtain a provision that has a 75% probability of sufficiency a risk margin is included. Due to the high level of uncertainty related to the *Summerfield* appeal a risk margin of \$153 million has been added resulting in \$584 million being included within the outstanding claims liability provision.

**(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 (1% gap between inflation and discount rate)	(569)	(14%)
Weak economic conditions (-1% gap)	916	22%
Duration and severity of claims		
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	540	13%
Impact of removing mortality loadings for catastrophic claims	427	10%
WPI assessments increase by 2% as a result of the higher incentives under the RTW Act	496	12%

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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**Notes to and forming part of the financial statements**  
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**Note 11 Outstanding claims liability - Other Funds**

(a) Outstanding claims - SRF and IAF

	SRF \$'000	IAF \$'000	2021 Combined \$'000	2020 Combined \$'000
Open claims	1,434	-	<b>1,434</b>	2,479
Total incurred but not yet reported (IBNR)	36,697	99	<b>36,796</b>	39,347
Claims handling expenses	3,241	8	<b>3,249</b>	3,556
Central estimate	41,372	107	<b>41,479</b>	45,382
Risk margin	18,080	48	<b>18,128</b>	19,493
Net liability for outstanding claims	59,452	155	<b>59,607</b>	64,875

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% (2020: 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 2021 due to exposure prior to 30 June 2021. 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

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

	Up to 1 yr \$'000	1 to 3 yrs \$'000	3 to 5 yrs \$'000	5 to 10 yrs \$'000	10 to 20 yrs \$'000	Over 20 yrs \$'000	Total \$'000
2021	2,449	5,346	6,179	14,788	21,120	9,725	59,607
2020	2,765	5,442	6,232	15,288	23,193	11,955	64,875

(c) Movement in liability - SRF and IAF

	SRF			IAF		
	2021 \$'000	2020 \$'000	Change \$'000	2021 \$'000	2020 \$'000	Change \$'000
<b>Asbestos-related</b>						
Reported	980	1,412	(432)	-	-	-
IBNR / re-opened claims	36,654	39,183	(2,529)	99	109	(10)
	37,634	40,595	(2,961)	99	109	(10)

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**Notes to and forming part of the financial statements**  
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**Note 11 Outstanding claims liability - Other Funds (continued)**

(c) Movement in liability - SRF and IAF (continued)

	SRF			IAF		
	2021	2020	Change	2021	2020	Change
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-asbestos-related</b>						
Reported	454	1,067	(613)	-	-	-
IBNR / re-opened claims	43	55	(12)	-	-	-
	497	1,122	(625)	-	-	-
Central estimate	38,131	41,717	(3,586)	99	109	(10)
Claims handling expenses	3,241	3,546	(305)	8	10	(2)
Risk margin	18,080	19,440	(1,360)	48	53	(5)
Total outstanding claims liability	59,452	64,703	(5,251)	155	172	(17)

(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.

	2021	2020
Inflation rate		
asbestos claims	4.50%	4.17%
non-asbestos claims	2.50%	2.17%
Discount rate	1.87%	1.34%
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 2019 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.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
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**Note 11 Outstanding claims liability - Other Funds (continued)**

(g) Summary of Other Funds

	2021 \$'000	2020 \$'000
Statutory Reserve Fund	59,452	64,703
Insurance Assistance Fund	155	172
Mining and Quarrying Industries Fund	100	100
Net liability for outstanding claims	<u>59,707</u>	<u>64,975</u>
Current liability for outstanding claims	2,450	2,766
Non-current liability for outstanding claims	57,257	62,209
Total liability for outstanding claims	<u>59,707</u>	<u>64,975</u>
Change in liability for outstanding claims	<u>(5,268)</u>	<u>(2,927)</u>

**Note 12 Tribunal and ombudsman fees**

	2021 \$'000	2020 \$'000
South Australian Employment Tribunal	8,407	8,233
Ombudsman funding	354	608
Total tribunal and ombudsman fees	<u>8,761</u>	<u>8,841</u>

**Note 13 General operating expenses**

	Notes	2021 \$'000	2020 \$'000
Employee benefits	17	31,679	31,641
Depreciation and amortisation	14	3,079	6,987
Loss on disposal of non-current assets		1	-
Other operating costs		18,994	18,663
Total general operating expenses		<u>53,753</u>	<u>57,291</u>

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$414,400 (2020: \$416,900). 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.	2021 \$'000	No.	2020 \$'000
\$10,000 or above	<u>7</u>	<u>1,785</u>	6	1,679

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**Note 14 Depreciation and amortisation**

	2021 \$'000	2020 \$'000
Leasehold improvements including office furniture and fittings	678	677
Computer, communications and general office equipment	214	189
Right-of-use land and buildings	2,126	2,126
Right-of-use motor vehicles	61	97
Intangible assets	-	3,898
Total depreciation and amortisation	<u>3,079</u>	<u>6,987</u>

**Note 15 Finance costs**

	2021 \$'000	2020 \$'000
Interest and finance charges paid/payable for lease liabilities	78	132
Finance costs expensed	<u>78</u>	<u>132</u>

**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.

**Note 17 Employee benefits**

	2021 \$'000	2020 \$'000
Salaries and wages	28,272	28,345
Long service leave	88	14
Annual leave	659	692
Skills and experience retention leave	70	59
Employment on-costs - superannuation	2,590	2,531
Total employee benefits expenses	<u>31,679</u>	<u>31,641</u>

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**Notes to and forming part of the financial statements**  
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**Note 17 Employee benefits (continued)**

**(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>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Compensation</b>		
Salaries and other short-term employee benefits	<b>2,421</b>	2,372
Post-employment benefits	<b>230</b>	217
Total	<b>2,651</b>	2,589

**(b) Remuneration of Employees**

	<b>2021</b>	2020
	<b>No.</b>	No.
<b>The number of employees whose remuneration received or receivable falls within the following bands:</b>		
\$154,001 to \$174,000	<b>15</b>	14
\$174,001 to \$194,000	<b>5</b>	6
\$194,001 to \$214,000	<b>1</b>	-
\$214,001 to \$234,000	<b>2</b>	3
\$254,001 to \$274,000	<b>3</b>	3
\$274,001 to \$294,000	<b>1</b>	-
\$294,001 to \$314,000	<b>2</b>	-
\$314,001 to \$334,000	<b>1</b>	2
\$334,001 to \$354,000	<b>-</b>	1
\$354,001 to \$374,000	<b>1</b>	-
\$374,001 to \$394,000	<b>-</b>	1
\$454,001 to \$474,000	<b>1</b>	-
Total	<b>32</b>	30

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year.

The total remuneration received by those employees for the year was \$6.8 million (2020: \$6.2 million).

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.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
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**Note 17 Employee benefits (continued)**

(c) Liability for employee benefits

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Current</b>		
Accrued salaries and wages	<b>703</b>	643
Annual leave	<b>2,420</b>	2,218
Skills and experience retention leave	<b>65</b>	63
Long service leave	<b>2,586</b>	2,611
	<b>5,774</b>	5,535
<b>Non-current</b>		
Long service leave	<b>1,920</b>	2,268
Total employee benefits	<b>7,694</b>	7,803

*Employee benefits - wages, salaries, skills and experience retention leave, annual leave and long service leave*  
Employee benefits 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 0.75% at 30 June 2020 to 1.25% at 30 June 2021. 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 2020 and at 30 June 2021 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 \$0.6 million and employee benefits expense of \$0.6 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.

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

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

Board members during the financial year ended 30 June 2021 were:

Member	Board	Investment and Finance Committee	Audit and Risk Committee	Human Resources Committee	Technology Committee
Ms. J Denley	Member	-	Member	Chair	-
Dr. W Griggs	Member	Member	-	-	Member
Mr. C Latham	Member	Chair	Member	-	-
Mr. N McBride	Member	-	-	Member	Chair
Mr. G McCarthy	Chair	Member	-	Member	Member
Ms. E Perry	Member	-	Member	Member	-
Ms. Y Sneddon	Member	Member	Chair	-	-

Committee membership is at 30 June 2021.

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

	2021	2020
\$60,000 to \$79,999	6	6
\$100,000 to \$119,999	1	1

The total remuneration received and receivable by board members was \$471,000 (2020: \$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 \$62,000 (2020: \$67,000). Members of the Committee include S. Mead (Presiding Member), D. Blairs, D. Connor, E. Dabars, S.C. Knight, E. van der Linden, E. Macey, E.T. Mah, and R. Paterson as appointed to the Committee on 19 November 2020 by His Excellency the Governor in Executive Council. E. van der Linden resigned on 26 February 2021. K.J. Crowe was appointed on 13 May 2021 by His Excellency the Governor in Executive Council.

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

**Note 19 Cash and cash equivalents**

	Notes	2021 \$'000	2020 \$'000
Cash equivalents	30(d)	<b>180,828</b>	214,585

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.

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**Note 20 Trade and other receivables**

	Notes	2021 \$'000	2020 \$'000
<b>Current receivables</b>			
Trade receivables - non-government entities		17,468	16,019
Less allowance for doubtful debts		(7,100)	(8,600)
		<u>10,368</u>	<u>7,419</u>
Refunds		(14,805)	(15,117)
Recoverable claim payments	10	21,337	24,498
Sundry receivables and prepayments		1,609	3,259
Total current receivables		<u>18,509</u>	<u>20,059</u>
<b>Non-current receivables</b>			
Recoverable claim payments	10	62,851	50,426
Total non-current receivables		<u>62,851</u>	<u>50,426</u>
Total trade and other receivables		<u>81,360</u>	<u>70,485</u>
<b>Impairment of receivables</b>			
Opening balance		(8,600)	(7,600)
Amounts written off		1,200	2,014
Decrease/(increase) in allowance recognised		300	(3,014)
Closing Balance		<u>(7,100)</u>	<u>(8,600)</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 Investments**

	2021 \$'000	2020 \$'000
Deposits with financial institutions	236,289	236,315
Government/semi-government securities	1,019,735	952,781
Non-government debt instruments	373,940	427,699
Securities listed on the Australian Stock Exchange	239,484	308,728
Securities listed on overseas stock exchanges	1,282,104	875,857
Unit Trust – unlisted property, infrastructure and private debt assets	760,664	712,064
Derivatives	(15,995)	14,253
Total investments	<u>3,896,221</u>	<u>3,527,697</u>
Current	330,365	372,659
Non-current	3,565,856	3,155,038
Total investments	<u>3,896,221</u>	<u>3,527,697</u>

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).

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**Note 22 Property, plant and equipment**

	Leasehold improvements including office furniture and fittings \$'000	Computer, communications and general office equipment \$'000	Total \$'000
<b>Fair value</b>			
Balance at 1 July 2019	6,775	818	7,593
Additions	-	82	82
Disposals	-	(394)	(394)
Balance at 30 June 2020	<u>6,775</u>	<u>506</u>	<u>7,281</u>
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>
<b>Depreciation</b>			
Balance at 1 July 2019	(4,784)	(405)	(5,189)
Depreciation charge	(677)	(189)	(866)
Disposals	-	394	394
Balance at 30 June 2020	<u>(5,461)</u>	<u>(200)</u>	<u>(5,661)</u>
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>
<b>Carrying Amounts</b>			
At 30 June 2020	<u>1,314</u>	<u>306</u>	<u>1,620</u>
At 30 June 2021	<u>636</u>	<u>1,705</u>	<u>2,341</u>

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 25 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:

	2021	2020
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 23 Right-of-use assets**

	Land and buildings \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>			
Additions	6,378	184	6,562
Balance as at 30 June 2020	<u>6,378</u>	<u>184</u>	<u>6,562</u>
<b>Cost</b>			
Balance at 1 July 2020	6,378	184	6,562
Additions	-	110	110
Disposals	-	(161)	(161)
Balance as at 30 June 2021	<u>6,378</u>	<u>133</u>	<u>6,511</u>
<b>Depreciation</b>			
Depreciation charge	(2,126)	(97)	(2,223)
Balance at 30 June 2020	<u>(2,126)</u>	<u>(97)</u>	<u>(2,223)</u>
<b>Depreciation</b>			
Depreciation Balance at 1 July	(2,126)	(97)	(2,223)
Depreciation charge	(2,126)	(61)	(2,187)
Disposals	-	97	97
Balance at 30 June 2021	<u>(4,252)</u>	<u>(61)</u>	<u>(4,313)</u>
<b>Carrying Amounts</b>			
At 30 June 2020	<u>4,252</u>	<u>87</u>	<u>4,339</u>
At 30 June 2021	<u>2,126</u>	<u>72</u>	<u>2,198</u>

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:

	2021	2020
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 between five to ten 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 27. The maturity analysis of lease liabilities is disclosed in note 30(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 24 Intangible assets**

	IT development and software \$'000
<b>Cost</b>	
Balance at 1 July 2019	44,966
Balance at 30 June 2020	<u>44,966</u>
Balance at 1 July 2020	44,966
Balance at 30 June 2021	<u>44,966</u>
<b>Amortisation</b>	
Balance at 1 July 2019	(41,068)
Amortisation Charge	<u>(3,898)</u>
Balance at 30 June 2020	<u>(44,966)</u>
Balance at 1 July 2020	(44,966)
Balance at 30 June 2021	<u>(44,966)</u>
<b>Carrying Amounts</b>	
At 30 June 2020	<u>-</u>
At 30 June 2021	<u>-</u>

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

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.

*Impairment*

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

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**Note 25 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 2019	1,991	413	2,404
Additions	-	82	82
Depreciation	(677)	(189)	(866)
Disposals	-	-	-
Balance at 30 June 2020	1,314	306	1,620
Balance at 1 July 2020	1,314	306	1,620
Additions	-	1,613	1,613
Depreciation	(678)	(214)	(892)
Disposals	-	-	-
Balance at 30 June 2021	636	1,705	2,341

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

	\$'000
2020	(866)
2021	(892)

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**Note 26 Trade and other payables**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Current</b>		
Trade payables	<b>18,400</b>	16,048
Unearned premiums	<b>77</b>	45
Employment on-costs	<b>759</b>	715
<b>Non-current</b>		
Employment on-costs	<b>199</b>	229
Total trade and other payables	<b>19,435</b>	17,037

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 2021 (2020 42%). The average factor for the calculation of employer superannuation on-costs has risen to 10.1% at 30 June 2021 (2020 9.8%). These rates are used in the employment on-cost calculation. The net financial effect of the change in the superannuation on-cost rate on employment benefit expense is immaterial.

**Note 27 Leases liabilities**

**(a) Lease liabilities**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Current</b>		
Lease liabilities	<b>2,313</b>	2,209
<b>Non-current</b>		
Lease liabilities	<b>23</b>	2,268
Total lease liabilities	<b>2,336</b>	4,477

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

**(b) Cash outflow for leases**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Land and buildings	<b>2,201</b>	2,115
Motor vehicles	<b>65</b>	102
Total cash outflow for leases	<b>2,266</b>	2,217

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**Note 27 Leases liabilities (continued)**

(c) Extension options

The lease for office space had a remaining term of three years at the application date, with a right of renewal for a further 10 years, separated into two blocks of five years. As at 30 June 2021 while it is reasonably certain that RTWSA will not take up an option to extend, discussions with the Department of Infrastructure and Transport, which has responsibility for accommodation leases, are ongoing.

**Note 28 Provisions**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Balance at the start of the year	<b>82</b>	139
Provisions made/(written back) during the year	-	82
Provisions used during the year	<b>(82)</b>	(139)
Balance at the end of the year	<b>-</b>	<b>82</b>

The provision in 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 29 Reconciliation of comprehensive result to net cash flows from operating activities**

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Total comprehensive result	(418,916)	(303,335)
Depreciation	<b>3,079</b>	3,089
Amortisation	-	3,898
Net loss on sale of non-current assets	<b>1</b>	-
Investment (profit)	<b>(404,842)</b>	(3,482)
Dividends received	<b>78,539</b>	68,983
Interest received	<b>29,406</b>	34,019
Increase/(decrease) in payables	<b>2,559</b>	2,110
(Increase)/decrease in receivables	<b>(10,875)</b>	(16,387)
Increase/(decrease) in outstanding claims liability	<b>796,829</b>	269,635
Increase/(decrease) in employee benefits	<b>(109)</b>	54
Increase/(decrease) in provisions	<b>(82)</b>	(57)
Net cash flows from operating activities	<b>75,589</b>	<b>58,527</b>

**Note 30 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

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**Note 30 Risk management (continued)**

**(a) Overview (continued)**

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

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

The broad categories of risk faced by RTWSA are:

- insurance risk
- operational risk
- financial risk.

**(b) Insurance risk**

As set out in Note 1, RTWSA provides 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 \$13,423 (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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### Notes to and forming part of the financial statements

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### Note 30 Risk management (continued)

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

The risk of setting incorrect premium rates is controlled by taking external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models. The number of registered (non self-insured) employers insured under the Act for the financial year was approximately 54,000. 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 (excluding IBNR arising from asbestos-related matters) - every twelve months
- Insurance Assistance Fund (excluding IBNR arising from asbestos-related matters) - every twelve months
- IBNR arising from asbestos-related matters - every twelve months with a more detailed review every two years
- Mining and Quarrying Industries Fund - every three years.

#### (c) Operational risk

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

#### *Investments – risk management framework*

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

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

The current long term return objective for the investment program is a return of CPI + 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.

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**Note 30 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.

The composition of each asset group at 30 June 2021 was:

	Deposits With Financial Institutions \$'000	Government / semi - Government Securities \$'000	Non- Government Debt Instruments \$'000	Securities listed on the Australian stock exchange \$'000	Securities listed on overseas stock exchanges \$'000	Unit Trust - Unlisted Property, Infrastructure and Private Debt Assets \$'000	Derivatives \$'000	Total \$'000
Cash	180,828	-	-	-	-	-	-	180,828
Fixed interest	21,924	247,710	75,065	-	-	-	(37)	344,662
Inflation Linked Securities	3,643	756,420	41,392	-	-	-	1,417	802,872
Australian Equities	2,266	-	-	218,680	-	-	(13)	220,933
Overseas Equities - hedged	-	-	-	-	256,611	-	(6,193)	250,418
Overseas Equities - unhedged	463	-	-	-	678,200	-	-	678,663
Property & Infrastructure	11,182	-	-	20,804	347,293	506,938	(6,606)	879,611
Alternative income	15,983	15,605	257,483	-	-	253,726	(4,563)	538,234
	<u>236,289</u>	<u>1,019,735</u>	<u>373,940</u>	<u>239,484</u>	<u>1,282,104</u>	<u>760,664</u>	<u>(15,995)</u>	<u>3,896,221</u>

The composition of each asset group at 30 June 2020 was:

	Deposits With Financial Institutions \$'000	Government / semi - Government Securities \$'000	Non- Government Debt Instruments \$'000	Securities listed on the Australian stock exchange \$'000	Securities listed on overseas stock exchanges \$'000	Unit Trust - Unlisted Property, Infrastructure and Private Debt Assets \$'000	Derivatives \$'000	Total \$'000
Cash	214,585	-	-	-	-	-	-	214,585
Fixed interest	6,574	252,586	87,282	-	-	-	(210)	346,232
Inflation Linked Securities	7,291	687,450	78,832	-	-	-	(555)	773,018
Australian Equities	3,100	-	-	289,727	-	-	(15)	292,812
Overseas Equities - hedged	-	-	-	-	104,660	-	3,924	108,584
Overseas Equities - unhedged	-	-	-	-	496,617	-	-	496,617
Property & Infrastructure	6,554	-	-	19,001	274,580	480,207	5,214	785,556
Alternative income	(1,789)	12,745	261,585	-	-	231,857	5,895	510,293
	<u>236,315</u>	<u>952,781</u>	<u>427,699</u>	<u>308,728</u>	<u>875,857</u>	<u>712,064</u>	<u>14,253</u>	<u>3,527,697</u>

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2021**

**Note 30 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 2021**

**Note 30 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 2021:

	Short-term issue ratings*			Long-term issue ratings**				BB/B	Not Rated***	Total
	A1+	A1	A2	AAA	AA	A	BBB			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	168,828	12,000	-	-	-	-	-	-	-	180,828
Fixed interest	21,924	-	-	212,858	74,325	18,843	16,749	-	(37)	344,662
Inflation linked securities	3,643	-	-	727,162	70,650	-	-	-	1,417	802,872
Alternative income	-	-	-	53,992	14,163	103,330	272,279	34,576	59,894	538,234
	194,395	12,000	-	994,012	159,138	122,173	289,028	34,576	61,274	1,866,596

As at 30 June 2020:

	Short-term issue ratings*			Long-term issue ratings**				BB/B	Not rated***	Total
	A1+	A1	A2	AAA	AA	A	BBB			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	214,585	-	-	-	-	-	-	-	-	214,585
Fixed interest	6,574	-	-	261,996	46,031	17,305	14,536	-	(210)	346,232
Inflation linked securities	7,291	-	-	652,438	75,196	21,959	16,689	-	(555)	773,018
Alternative income	-	-	-	45,987	30,778	109,324	231,528	28,237	64,439	510,293
	228,450	-	-	960,421	152,005	148,588	262,753	28,237	63,674	1,844,128

\* 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 2021**

**Note 30 Risk management (continued)**

**(d) Financial risk (continued)**

22.4% of RTWSA's trade receivables and sundry receivables were past due greater than 30 days (2020: 17.4%). The ageing of RTWSA's trade receivables and sundry receivables at the reporting date was:

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Not past due	<b>8,355</b>	6,929
Past due 1-30 days	<b>943</b>	1,895
Past due 31-60 days	<b>1,949</b>	1,363
Past due 61 days to one year	<b>730</b>	491
	<b>11,977</b>	10,678

There were no significant concentrations of credit risk.

*Liquidity risk*

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

Both the asset and liability liquidity risks are managed through management risk strategies. 87.5% (2020: 85.0%) 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 2021:

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

As at 30 June 2020:

	1 year or less \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	No Term \$'000	Total \$'000
Lease liabilities	2,209	2,268	-	-	-	4,477
Trade and other payables	16,808	229	-	-	-	17,037

*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 2021**

**Note 30 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 27% of the international equity securities 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 on profit and equity of a movement in foreign exchange rates against a strengthening or weakening Australian dollar on our material un-hedged major currency exposures. This analysis is based on foreign currency exchange rate variances that RTWSA considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
<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
<b>30 June 2020</b>				
US Dollar (10% movement)	(28,205)	28,205	(28,205)	28,205
China (10% movement)	(2,363)	2,363	(2,363)	2,363
Euro (10% movement)	(4,321)	4,321	(4,321)	4,321
JPY (10% movement)	(3,414)	3,414	(3,414)	3,414
Sterling (10% movement)	(1,904)	1,904	(1,904)	1,904
Other (10% movement)	(9,769)	9,769	(9,769)	9,769

*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 2021**

**Note 30 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>				
2021	(106,445)	106,445	(106,445)	106,445
2020	(100,315)	100,315	(100,315)	100,315

*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 2021</b>				
Domestic securities - (20% movement)	47,897	(47,897)	47,897	(47,897)
International securities - (20% movement)	256,421	(256,421)	256,421	(256,421)
<b>30 June 2020</b>				
Domestic securities - (20% movement)	61,746	(61,746)	61,746	(61,746)
International securities - (20% movement)	175,171	(175,171)	175,171	(175,171)

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2021**

**Note 30 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 following tables present RTWSA's investments measured and recognised at fair value. There have been no transfers between levels during the period.

At 30 June 2021:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Deposits with financial institutions	236,289	-	-	236,289
Government / semi-government securities	1,019,735	-	-	1,019,735
Non-government debt instruments	373,940	-	-	373,940
Securities listed on the Australian Stock Exchange	239,484	-	-	239,484
Securities listed on overseas stock exchanges	1,282,104	-	-	1,282,104
Unit Trusts - unlisted property and debt security assets	253,725	294,313	-	548,038
Unit Trusts - unlisted infrastructure	-	-	212,626	212,626
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>

At 30 June 2020:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Deposits with financial institutions	236,315	-	-	236,315
Government / semi-government securities	952,781	-	-	952,781
Non-government debt instruments	427,699	-	-	427,699
Securities listed on the Australian Stock Exchange	308,728	-	-	308,728
Securities listed on overseas stock exchanges	875,857	-	-	875,857
Unit Trusts - unlisted property and debt security assets	231,857	281,222	-	513,079
Unit Trusts - unlisted infrastructure	-	-	198,985	198,985
Derivatives	-	14,253	-	14,253
Total investments at fair value through profit and loss	<u>3,033,237</u>	<u>295,475</u>	<u>198,985</u>	<u>3,527,697</u>

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.

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2021**

**Note 30 Risk management (continued)**

**(d) Financial risk (continued)**

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 2021 and 2020:

	<b>Financial year ended 30 June 2021 \$'000</b>	Financial year ended 30 June 2020 \$'000
<b>Unit Trusts - unlisted infrastructure</b>		
Opening balance	<b>198,985</b>	198,022
Contributions	<b>2,387</b>	194
Withdrawals	<b>(3,538)</b>	(5,805)
Gains recognised in investment profit	<b>14,792</b>	6,574
Closing balance	<b>212,626</b>	198,985

**Note 31 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 32 Employer financial guarantees**

Under section 129 of the Act and schedule 3 of the Regulations, RTWSA administers financial guarantees lodged by self-insured employers. As at 30 June 2021, RTWSA held security to the value of \$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 33 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 2021 is \$54.9 million (2020: \$54.6 million).

**ReturnToWorkSA**  
**Notes to and forming part of the financial statements**  
**30 June 2021**

**Note 34 Contingent liabilities**

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

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

As described in note 10(e), in accordance with AASB 1023, a probability-weighted allowance of \$584 million has been included in the outstanding claims provision as a consequence of the *Summerfield* decision. In the event of RTWSA not being granted, or losing, its appeal to the High Court of Australia the central estimate of the claims liability will likely substantially increase. A future increase in the provision of \$500 million is plausible and should not be considered as being the worst case outcome.

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

**Note 35 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 2023.

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 36 Events after the reporting period**

There have been no events after the reporting period which would have a material effect on RTWSA's financial statements at 30 June 2021.

**ReturnToWorkSA**  
**Certificate under section 23(2) of the Public Finance and Audit Act 1987**  
**30 June 2021**

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

9 September 2021



**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 the Return to Work Corporation of South Australia for the financial year ended 30 June 2021.

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 2021, 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 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

### Emphasis of Matter – Inherent uncertainty – outstanding claims liability and funding ratio

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

There is 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 costs of claims described in notes 10 and 11 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 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 the 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 the Return to Work Corporation of South Australia for the financial year ended 30 June 2021.

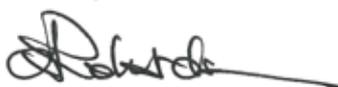
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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.

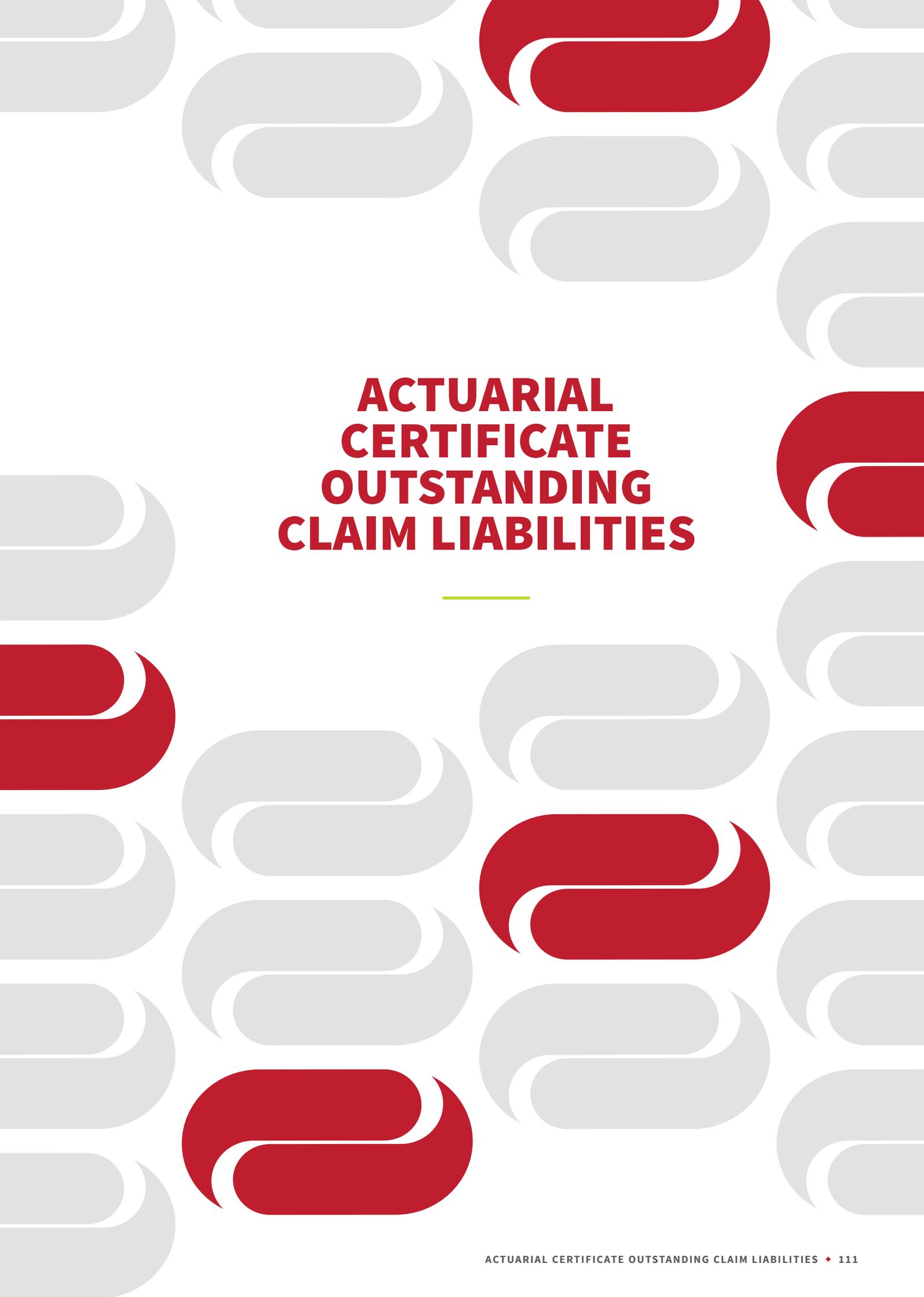
I communicate with the Chief Executive Officer and the members of the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

**Auditor-General**

17 September 2021



# **ACTUARIAL CERTIFICATE OUTSTANDING CLAIM LIABILITIES**

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## RETURN TO WORK CORPORATION OF SOUTH AUSTRALIA

### Actuarial Certificate

### Outstanding Claim Liabilities at 30 June 2021

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

#### Data

We have relied on the accuracy and completeness of the data and other information (qualitative, quantitative, written and verbal) provided to us by ReturnToWorkSA for the purpose of making our estimates; this includes a range of additional information in relation to the recent *Summerfield* legal decision. 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.

For this valuation additional work has been required to estimate the costs relating to an important recent legal decision, *Summerfield*; this decision substantially differs from ReturnToWorkSA's previously adopted position in relation to how key aspects of WPI assessments should be undertaken. Whilst ReturnToWorkSA is attempting to appeal this legal decision in the High Court, a probability weighted estimate<sup>1</sup> of its cost has been included in the reserves in accordance with accounting standard requirements; we understand ReturnToWorkSA is also noting a contingent liability on top of our estimates, given the likelihood that the liability will increase if the appeal is unsuccessful.

Our valuation basis assumes that COVID-19 infections continue to remain low in South Australia and that there are no further economic disruptions or major impacts on business confidence.

We have also provided a recommended provision for outstanding claims which increases the central estimate to a level intended to achieve a 75% probability of sufficiency, in accordance with ReturnToWorkSA policy.

<sup>1</sup> Accounting standards require that the central estimate is to be the mean of the distribution of possible outcomes. To determine the central estimate related to *Summerfield*, it is therefore necessary to specify what the possible outcomes are, and to attach likelihoods to each of them – the costs under the different possible outcomes are then combined with the likelihoods of each outcome occurring to determine the central estimate.

## 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 2021 in respect of claims which, under the provisions of the RTW Act, arose on or before that date.

Our central estimate of the Scheme's outstanding claims liability for registered employers as at 30 June 2021 is \$3,569 million. ReturnToWorkSA has provided \$4,157 million in its financial statements as at 30 June 2021 for the net outstanding claim liabilities, having added to our net central estimate a risk margin of 16.5% which is intended to increase the probability of adequacy of the provision to 75%.

In order to understand the underlying scheme experience we have separately identified the impacts of the *Summerfield* decision from the baseline valuation (what the liability would have been if not for the *Summerfield* decision). These amounts are made up as follows:

**Table 1 – Outstanding Claim Liabilities at 30 June 2021 – Return To Work Scheme**

	Baseline Valuation	Additional cost due to Summerfield	Total
	\$m (a)	\$m (b)	\$m (a+b)
Gross Claims Cost - Serious Injuries	2,142	438	2,580
Gross Claims Cost - Short Term Claims	785	-34	751
Claims Handling Expenses	282	28	310
Gross Outstanding Claims Liability	3,210	431	3,641
Recoveries	-72	0	-72
Net <b>Central Estimate</b> of Outstanding Claims Liability	3,137	431	3,569
Risk Margin	436	153	589
<b>Recommended Provision</b>	3,573	584	4,157

We emphasise that our allowance for *Summerfield* impacts is likely to move higher or lower over time, depending on the actual outcome of the legal appeal once it becomes known – that is, a successful appeal would lead to a lower allowance than is currently included, whilst a loss of the appeal would mean a higher liability estimate is required.

The risk margin loading is very high for a scheme of this size (16.5% increased from 14.1% previously), reflecting the uncertainty related to the *Summerfield* decision and appeal, as well as the high 'frictional costs' in the scheme (e.g. high levels of dispute, slow resolution of disputes, high rates of appeal, high rates of challenge to key legal questions).

### 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 \$60 million in its financial statements as at 30 June 2021 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 2021 – SRF and IAF**

	Central Estimate	Provision
	\$m	\$m
Gross Liability for Outstanding Claims		
<i>Statutory Reserve Fund</i>	38	
<i>Insurance Assistance Fund</i>	0.1	
<i>Claims Handling Expenses</i>	3	
Gross Liability	41	60
<i>Future Recoveries on Outstanding Claims</i>	-	-
Net Liability	41	60

## 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 impacts of the *Summerfield* case, not least of all because ReturnToWorkSA is seeking to appeal the decision in the High Court. Indeed, it is still possible there will be no impact, if ReturnToWorkSA is (fully) successful in its High Court appeal. On the other hand, if the appeal is not successful then the scheme's future financial outcomes will likely be even higher than currently reserved.

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 particular, continued legal challenge to the rules about how and when claims are determined to be eligible for the Serious Injury benefit package means the costs could be higher than our projections.

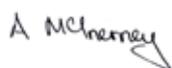
In the case of asbestos-related disease liabilities in the SRF and IAF, additional sources of uncertainty are the extremely long-term nature of such claims, the risk of significant changes in the way in which claims are litigated and compensated by courts, and potential changes in the behaviour of claimants, 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 3 September 2021 (Scheme) and 4 August 2021 (SRF and IAF).

Yours Sincerely,



Andrew McInerney (Scheme)  
Fellow of the Institute of Actuaries of Australia



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

## Notes

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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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