



2016-17 Annual Report

South Australia's work injury insurance scheme.



Government
of South Australia



About this report

We are pleased to present the Annual Report for 2016-17.

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

The report meets our obligations under the *DPC 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 about ReturnToWorkSA and the Return to Work scheme online, where this report and previous annual reports are available to download at www.rtwsa.com.

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Insurance performance highlights



Realising the health benefits of work



80%

of claims made were reported by phone

Phone reporting

Our phone reporting service offers a quick and easy way to make a claim and allows our claims agents to quickly identify which workers and employers are in need of help with recovery and return to work.

Personalised claims service

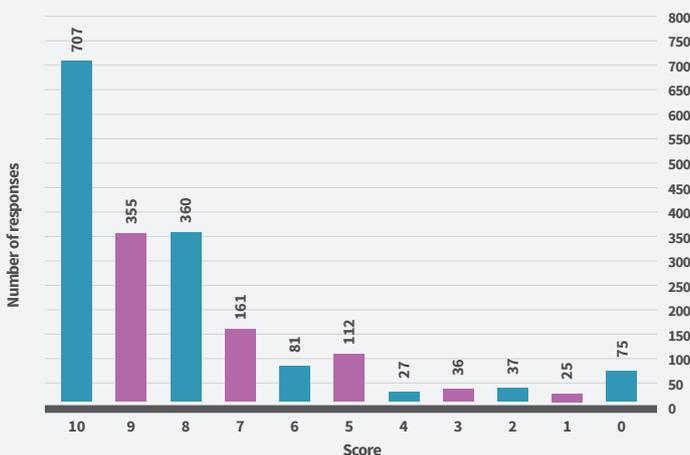
Our claims agents and ReturnToWorkSA have 94 mobile staff providing a personalised, face-to-face service for employers and injured workers. Our regular Net Promoter Score surveys of these customers show how much workers and employers value this service.

94
mobile staff

69 active on a given day

Caseload average is

27



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

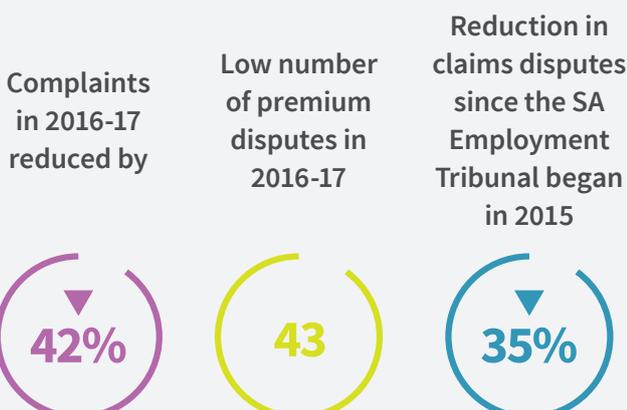
Remain at or returning to work – the first year

The Return to Work insurance scheme provides financial support to assist an injured person to be supported to recover, remain at or return to work. The table shows how many people have remained at work or returned to work:

	4 weeks	13 weeks	26 weeks	52 weeks
This year	75%	83%	87%	88%
2015-16	75%	83%	86%	88%
2014-15	75%	83%	86%	88%
2013-14	73%	81%	86%	88%

A more collaborative Scheme

We have continued to work with our claims agents to find ways to continuously improve our claims management and the service we provide to support workers and employers. The improved service resulting from these actions is evidenced in the continued low levels of complaints and disputes.



Employers registered for premium

During 2016-17, there were 52,600 registered businesses.



Insurance performance highlights

Our strategic plan

The ReturnToWorkSA Board has a clear and simple strategic plan for 2017-2020. Our mission is to provide a *desirable, affordable and durable* recovery and return to work scheme for South Australia.

The key strategic objectives to guide our mission are:

1 Realising the health benefits of work.

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

Effective economic operation of the Return to Work scheme



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

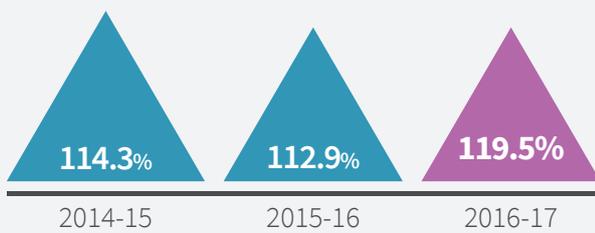


Better than expected premium collection due to higher remuneration estimates from employers and claims management performance has resulted in the cost of claims being contained at lower levels. This has produced an **underwriting profit** of \$86m.

\$ Financial

Scheme funding ratio

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



▲ increased by **6.6%**

The Scheme funding position has remained positive with strength coming off the back of claims management results and favorable movement in risk free interest rates.

Net assets

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



It is important to maintain a positive net asset position to protect the Scheme from having to make a significant immediate change in response to what could be a material short-term impact to the net asset position. Events such as reductions in risk free interest rates may result in adverse net asset changes of in excess of \$100m.

Investment return

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



▲ return on investment of **7.7%**

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

Chairman and CEO messages





"The Board is proud the organisation is now achieving annual savings of over \$220m for South Australian businesses"

Message from Jane Yuile, Chairman

During the last year the Return to Work scheme has continued to mature and it has been extremely pleasing for the Board to observe the seamless transition in December 2016 to new CEO, Rob Cordiner.

The last 12 months have included important transition milestones from the previous Scheme and the organisation has proactively implemented several new ongoing programs designed to assist workers with these transitions.

ReSkilling helps workers who have been injured to maintain their skills while recuperating, and where they will not be able to go back to their pre-injury role, to develop new skills. **ReCONNECT** assists workers transitioning off the Scheme to find the support they need from organisations in the community to minimise the disruption to their lives. **EnABLE** provides individually tailored support for those workers who have been catastrophically injured to ensure they get the treatment and attention to have the best possible quality of life.

In January the Board and Executive Leadership Team met to develop a new strategic plan for 2017-2020. This solidified the direction we wish to take the organisation over the next three years and reinforced our mission to provide a desirable, affordable and durable recovery and Return to Work scheme for South Australia.

The financial health of the Scheme continues to be stable and as a result the Board reduced the average premium rate for the 2017-18 financial year from 1.95% to 1.8%. This represents a further savings of \$40m for South Australian businesses which the Board is proud the organisation could achieve.

On behalf of the Board I want to acknowledge Rob, his leadership team and all of the dedicated management and staff at ReturnToWorkSA for their ongoing efforts and hard work. Recently there have been significant changes to the organisation to ensure its ongoing durability. This has been unsettling but the focus on providing high quality services and support to South Australian workers and employers has been unwavering. I thank you all.

JANE YUILE

Chairman
ReturnToWorkSA Board



“ReturnToWorkSA is now well positioned culturally and financially to support South Australian employers and their injured workers into the foreseeable future.”

Message from Rob Cordiner, Chief Executive Officer

This year has been my first year as CEO at ReturnToWorkSA. I would characterise it as a year of consolidation for the organisation and the Return to Work insurance scheme. Whilst it is only the second year of the Return to Work scheme, it is clear that our service focus is helping more South Australians to recover and stay at, or return to work following a work-related injury.

Overall, we continued to see:

- high levels of people recovering and being at work following their injury with 83% of people claiming compensation back at work within 13 weeks from injury
- significantly fewer disputes lodged with the SA Employment Tribunal about our decisions
- low levels of complaints about our service
- sustained lower insurance premiums for South Australian employers at 1.95% of wages on average compared with 2.75% prior to 2015-16
- strong financial foundations for a sustainable work injury insurance scheme with positive net assets for three years in succession with a funding ratio of 119.5% this year.

As a part of our strategic objective to ensure the effective and economic operation of the Scheme, we have reviewed our operations to ensure we can continue to offer a desirable and affordable service to the South Australian community. This year saw the introduction of a smaller and clearer structure to support our primary functions as both the scheme regulator and the workplace injury insurer. I am really proud of the culture and effort our ReturnToWorkSA team has invested into creating a durable organisation focused on its key customers. ‘Bureaucracy busting’ initiatives have enabled more efficient day-to-day processes for key customers as well as creating major new service opportunities such as online portals to enable fast and simpler transactions for employers and many service providers.

Lastly, I would like to acknowledge the contribution of my predecessor, Greg McCarthy. Greg’s leadership was pivotal to the substantial improvement of our performance as managers of the Return to Work scheme and together with the staff at ReturnToWorkSA we thank him for his dedicated leadership.

Overall, ReturnToWorkSA is now well positioned culturally and financially to support South Australian employers and their injured workers into the foreseeable future.

ROB CORDINER

Chief Executive Officer



About us



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

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

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

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

We 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 ensure the best possible chance of recovery and remaining at work or returning to work.

Our insurance role

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

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

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

ReturnToWorkSA retains direct management of claims from injured workers who have suffered a traumatic catastrophic injury. While the number of people who suffer such injuries is low, the complexity and intensity of the person's needs and costs of these claims is 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 workers and employers to achieve the best possible recovery and return to work outcome, including face-to-face support where appropriate
- income support to cover lost wages

- meeting the cost of reasonable medical expenses
- financial support in the form of lump sums
- financial support for access to a range of return to work services where required.

Our regulatory role

Through effective regulation we protect the interests of workers and employers by monitoring and enforcing compliance with the *Return to Work Act 2014*. We educate Scheme participants about the health benefits of work and their legislative compliance obligations.

Our key regulatory roles include:

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

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



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

Legislation with a clear focus on supporting people to remain at or return to work following injury led to the ReturnToWorkSA Board creating a new, clear and simple strategic plan for 2015-2018. This was revisited in 2017 and adjusted to acknowledge the evolving maturity of the Return to Work scheme. Our assessment of how to best meet our strategic elements of the 2017-2020 plan remain unchanged.

The key strategic objectives to guide our mission are:

- 1 Realising the health benefits of work.
- 2 Ensuring the effective and economic operation of the Return to Work scheme.

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

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

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

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

Return to Work Corporation of South Australia Charter and Performance Statement

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

There were no changes to the Charter for 2016-17. A new Performance Statement

was prepared and approved by the Minister and Treasurer in August 2016.

Section 15 of the Charter requires ReturnToWorkSA to include in the annual report information on:

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

All of these matters are covered in this report.

Performance Statement

The Performance Statement includes the following initiatives and activities to improve Scheme performance during 2016-17:



Review of the quality assurance framework to ensure whole person impairment assessments meet legislative requirements.



Monitoring the implementation of the Work Capacity Certificate to support its operational effectiveness.



Monitoring the delivery of the mobile case management service model by the claims agents, including evaluating its operational effectiveness and continuously improving the outcomes for injured workers and employers.



Providing the ReCONNECT program to help workers transition from the Return to Work scheme to other employment and community based support services once income support for a work injury claim has ceased.



Monitoring the implementation of the Return to Work premium system and the SA Industry Classification system to ensure they are relevant to employers' needs and promote a strong return to work focus and workplace safety.



Delivering support and education to health providers to ensure the best possible outcomes for workers recovering from injury and returning to work. This includes a program of face-to-face support for general practice.



Actively supporting employers with a high incidence of work injury claims through a risk management partnership service in order to improve their workplace safety and injury management practices.



Embedding and seeking to continuously improve the delivery of services such as work hardening, retraining, employment transitioning and job placement services within the service model.



Implementing a strategy to identify, investigate and manage common law claims.



Goal 1: Realising the health benefits of work

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

Injured workers at work at key intervals after injury				
	4 weeks	13 weeks	26 weeks	52 weeks
This year	75%	83%	87%	88%
2015-16	75%	83%	86%	88%
2014-15	75%	83%	86%	88%
2013-14	73%	81%	86%	88%

Personalised and mobile service model

The ReturnToWorkSA business model is the core focus in our contracts with our claims agents. We are proud of the commitment of ReturnToWorkSA staff and our claims agents to the service approach.

Personalised service: Our claims agents have 94 mobile claims staff throughout Adelaide and the major regional population centres, with low average caseloads.

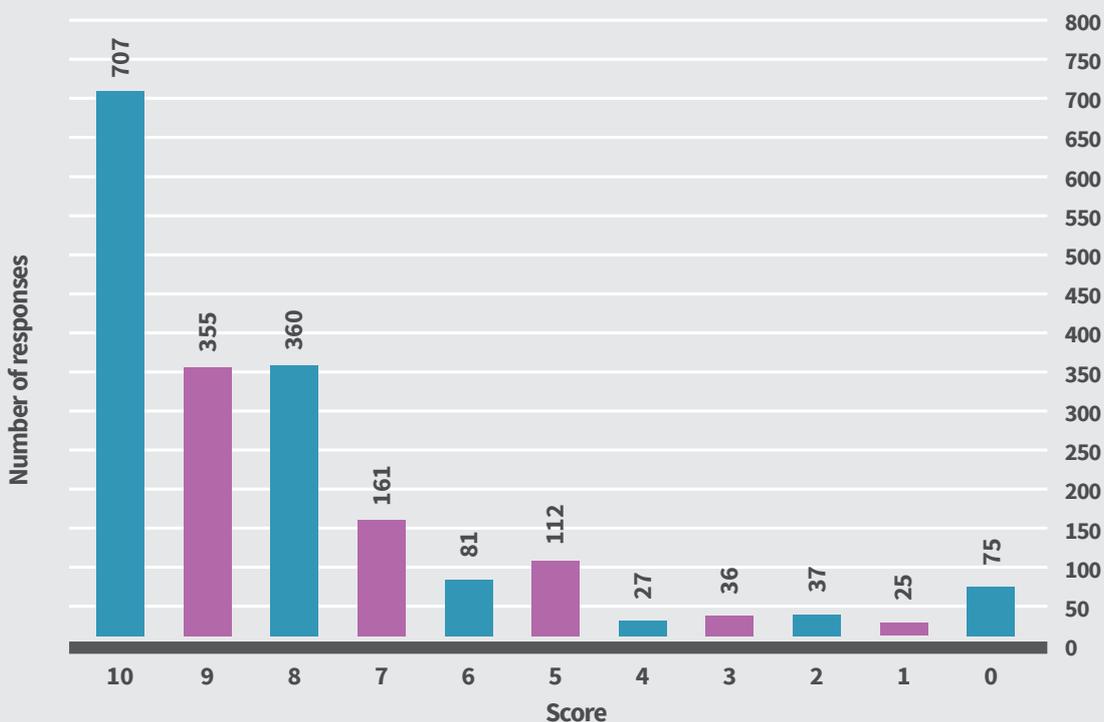
In 2016-17, 80% of claims made were reported via phone, allowing our claims agents to quickly identify which workers and employers were in need of help from a mobile claims manager.

Service feedback from customers is a key feature of our business model. Customer feedback measures have formed a significant component of the contract remuneration of our claims agents. We regularly survey employers and workers engaged with the mobile claims service. The surveys are designed to capture customer opinions whilst the

services are still being received, rather than only on completion. This immediacy has resulted in a very high response rate of 23% (typically insurance industry completion rate for Net Promoter Score (NPS) surveys is 15% or less). Importantly, if people indicate they are not satisfied with the service, we are able to contact them and discuss what we can do to fix their concerns. This aspect called service recovery is a critical element of the business model. 80% of respondents rated the service at seven or above, with by far the largest cohort of responses being at the maximum score of 10. (See graph below).

Reducing disputation and adversarial contests is a key requirement outlined in the objects of the *Return to Work Act 2014*. Whilst the service feedback provides some encouraging qualitative and quantitative data, we are unable to compare it with the past as the NPS surveys were implemented in late 2015. Participant anxiety can also be measured by the levels of complaint and disputes from participants.

Personalised claims service



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

97%

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

90%

claims submitted for physical injuries assessed within 10 days

- New claim disputes registered at the South Australian Employment Tribunal (SAET) have reduced by 35% since the Tribunal was established in 2015.
- 43 premium disputes in 2016-17.
- Complaints received are down by 42% in 2016-17.

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

- 90% of claims submitted for recent physical injuries were assessed within 10 business days. Claims for mental health injuries and claims for injuries from a long time ago take longer to establish whether or not the person is eligible for assistance. We operate a 'no fault' insurance scheme and approximately 88% of claims were accepted in 2016-17.
- 97% 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.

The new legislation settings, the reduction in the number of new disputes and the personalised, face-to-face service have combined to reduce ReturnToWorkSA's expenditure on

independent medical reports. These reports provide an understanding of the liability aspects of a claim, rather than being aimed at improved treatment. There will always be a need for independent medical examinations in a work injury insurance scheme. However, the increased understanding and communication between workers, their employers, their doctors and our mobile claims managers has resulted in less money spent on independent medical reports. In 2016-17 we spent \$175K per month compared to \$300K per month in 2015-16 and \$1m per month in 2014-15.

Retraining: Whilst most people injured at work recover and return to their employment, there are people who are unable to return to employment that they are already trained for and capable of doing. The Return to Work scheme allows the employer's insurance premium to provide financial support to people in this situation. People with resilience and strong personal motivation are able to make good use of financial support for training that increases prospects of employment.

Community participation and

purpose: Each year ReturnToWorkSA receives approximately 4,000 new claims for income support. Most of these people will remain at work or return to work. A small number of people will have long term disability as a result of their injury. The *Return to Work Act 2014* enables a lifetime care and support package for people with an assessed permanent

impairment of 30% or more. As at 30 June 2017, there were more than 400 injured workers under the replaced WorkCover scheme who transitioned into the permanent impairment category of support.

Enhanced technology to enable better service

During 2016-17 we implemented a new contemporary online service capability for providers (doctors, physiotherapists etc.) and employers.

Our online services offer a significantly improved service experience and deliver internal efficiencies especially for high volume transactions. Some of the benefits of online services include reducing the need for data entry by staff and scheme providers and employers, as well as printing and cost savings.

The initial priority was to implement five features to enhance the invoicing and reconciling of payments received for providers.

The first group to use online services was a small number of service providers who perform a large part of their work with us.

The first features were implemented in March 2017 and included an ability for a provider to:

- upload a data file of invoice information, enabling invoices to be created and then paid in three business days
- check on the payment status of their invoice
- receive information of payments received from us online
- check on who is handling their patient's claim and the claim number
- receive email notification when an invoice was not paid.

A further group of features was delivered for employers in May and June 2017 aimed at enhancing their user experience and providing greater self-service opportunity. These features support employers to:

- complete the annual wage reconciliation and estimate in the one transaction
- receive premium refunds via EFT
- pay premium debts by credit card.

Supporting Scheme service providers to deliver better health outcomes

ReturnToWorkSA supported medical and other service providers throughout 2016-17 to help them achieve better health outcomes for their patients with a work injury.

We contacted over 850 health providers, listening to their challenges and providing practical information and support. More than 200 health providers completed our online courses, and we delivered more than 65 face-to-face education sessions

around the state to over 900 health providers and practice managers.

In 2016-17 we launched the Physiotherapy Support Service which is delivered by a team of musculoskeletal physiotherapists and is available for physiotherapists who seek support in managing specific and challenging cases. The support service includes a support hotline, proactive practice visits and clinical support for complex cases.

Impairment assessments

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

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

In 2016-17, 2,044 permanent impairment assessment reports were received. Of these, 90% were performed under the new Scheme guidelines (the remainder were performed under old Scheme guidelines and primarily related to outstanding disputes).

Of the total reports received, 80% were compliant on first review, and 97% were compliant after discussion with the assessor.

Impairment assessor forums were held quarterly to support learning and

development and improved assessment accuracy and compliance.

EnABLE – Supporting people with severe traumatic injuries

Our specialised unit of disability support consultants and claims administration officers continued 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 disability support consultant contacts the worker and/or their family and employer as soon as they are aware of the injury to provide immediate assistance. Due to the traumatic nature of the injury, services and support often commence before a claim has been made.

Our disability support consultants work in partnership to plan and deliver an individually tailored care and support service that enables the person injured to achieve their personal goals, have greater control over their lives, build positive aspirations, maximise their independence and participate more fully in the community.

Typically around eight people suffer severe and traumatic injury each year, with this figure lower in 2016-17.

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.



*Stock image used

New beginnings

Concreter, David was always a hands-on hard worker, but after more than 25 years in the job he injured his back and wasn't able to return to concreting.

David took part in the ReSkilling program where he was placed in a role at the Adelaide Training & Employment Centre's Ottoway site.

ReSkilling Coordinator at the centre, Damien Brider said, "The project David worked on was the renovation of an older building, which suited David's construction background perfectly.

"While David was working there he shone and a decision was made to employ him as the supervisor at our Lonsdale site.

"The arrangement worked out a treat for both of us. David has the broad range of skills to run and supervise a project, and he's gone from injured to employed."

David said, "I arrived to complete light duties for a short time and I ended up scoring a job. I do miss being a concreter, but at least now I can teach someone else how to do it properly."

ReSkilling program

The ReSkilling program is designed to provide people who are injured at work with effective skill maintenance or training while they recover from their injury. The program can also help them to recognise existing skills and develop new skills, as well as identify employment prospects when they need to seek different work.

The program aims to support people so they remain engaged in a working environment, and where necessary, improve their employability during the recovery and return to work process.

Using a highly successful collaborative approach, the program provides people with skill maintenance and creates pathways back into employment, which often gives back to the community and others. The organisations involved are critical to the success of the program.

The program has seen some great results for injured workers, as well as participating employers. In 2016-17, almost 350 clients were supported by the ReSkilling program.

ReCONNECT program

ReCONNECT is a free and voluntary service provided by ReturnToWorkSA. The program delivers practical assistance to people who require some ongoing support to transition from Scheme funded services to community based support services at the end of their claim. The ReCONNECT service is available for people whose income support has ceased, including those who:

- are disputing the cessation of their income support
- are still receiving return to work services
- are entitled to medical expenses
- are employed by self-insured employers
- have reached retirement age.

"I've been between companies, on the dole, calling agencies and always told no. So you can't understand my gratitude, you are worth your weight in my book."
ReCONNECT participant

"I have found a job as a teacher; it is part time now, but may turn into full time soon. Thank you for your help."
ReCONNECT participant

More than 400 clients were supported by ReCONNECT in 2016-17. A significant workload peak was experienced due to the number of people transitioning from the old Scheme reaching the end of their transitional income support period on 28 June 2017.

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 subsidising wages. In 2016-17 more than 230 clients were supported by the RISE program.

Mentally healthy workplaces program

ReturnToWorkSA is committed to providing assistance to support mentally healthy workplaces in South Australia. The mentally healthy workplaces program underpins this work.

The program consists of state-wide collaboration with strategic partners, tailored programs for individual workplaces, and the development and provision of support and products to assist workplaces undertake positive change.



*Stock image used

Rising to the challenge

Stephen Minear of ACE Traffic Control employed Cliff through RISE. Cliff has now been employed for 12 months and is a valuable asset to the business.

“Cliff started off as a slightly experienced traffic controller and he’s ended up being one of our better ones,” said Stephen.

“Cliff’s averaged 40 hours a week, which is very good in this game.

“To achieve 40 hours a week consistent work is really good. It means he’s got a good income and we’ve got a good worker, so it works out for both of us.

“I’d certainly recommend other businesses have a look at RISE; it has potential and it gives everyone a fair chance. These people are looking for work and if they’re serious about it they’ll perform like we’ve had Cliff perform.

“He wanted work, he’s dedicated to his job. We’ve won, he’s won.”

State-wide collaboration

We work collaboratively with *beyondblue*, SA Health, SA Mental Health Commission and SafeWork SA. We assisted with the establishment of the Workplace Mental Health Collaboration Group in South Australia, a forum of stakeholders to align state-wide efforts around workplace mental health. The building of relationships in regional areas has been a priority with visits to the Regional Development Australia Offices and the establishment of links with the SA Suicide Prevention Networks through SA Health, Office of the Chief Psychiatrist.

Individual workplace level

The program provides a free consultancy service, which offers workplace education, practical advice and services for individual workplaces to create and maintain mentally healthy workplaces.

Assistance at the workplace level includes:

- workplaces that have experienced death and serious injuries (post critical incident response)
- collaboration with the Automotive Transformation Taskforce and Beyond Auto Northern Connections, resulting in mental health presentations conducted for automotive component supply chain companies affected by the closures of Holden, Ford and Toyota
- one-on-one assistance to workplaces where needed, including assistance with the development of action plans, identifying relevant tools, resources and information to assist with the implementation of those plans, and the provision of information sessions on workplace mental health to managers, supervisors and workers.

NewAccess program and other support

ReturnToWorkSA, in partnership with *beyondblue* and Rally HomeCare, supports the delivery of the NewAccess program in South Australia which was

relaunched in 2017. NewAccess is a free and confidential mental health support service available to anyone in South Australia aged 16 and over who is struggling with mild to moderate anxiety or depression and may need support. Specially trained and experienced coaches provide up to six free coaching sessions to help people tackle the day-to-day pressures of life. This is seen as an important service for the South Australian community at large.

NewAccess was developed in a bid to break down the everyday barriers that stop people seeking help when they need it most – stigma, cost and a lack of services in remote areas.

NewAccess participants do not need a doctor’s referral and can access six private sessions with a qualified coach, who will develop an individually tailored plan to get clients back to good health.

Coaches conduct low intensity treatment sessions in person, over the phone or via Skype, and help participants gain practical skills such as goal setting, to regain control of their mental health.

Since the program relaunch, more than 1,300 NewAccess sessions have been delivered.

The most recent Australian Health Survey (2011-12) revealed almost 15% of South Australians reported a mental health issue.

NewAccess was trialled in South Australia, ACT and North Coast New South Wales and results showed a 67.5% recovery rate among those who completed the program.

We also provide free public mentally healthy workplaces workshops, as well as conduct workshops (on request) for different industry sectors in both metropolitan and country regions.

The ReturnToWorkSA website includes webpages dedicated to workplace mental health, with information about practical tools and resources available for workplaces to take action.



*Stock image used

George Karlis, Manager Work Health and Safety at SA Power Networks, has been working with ReturnToWorkSA to create a mentally healthy workplace.

George said, “In terms of the risk that our employees face, we’re an essential service provider. We’re sometimes called out to an emergency scene, a motor vehicle crash scene for example, and sometimes our workers do need to face what can be regarded as pretty distressing situations. So we’re really conscious of the impact that this can have on their mental health and wellness, and we have a strong support mechanism for workers who face that.

“In addition to that, we also know that there’s a general prevalence of mental health issues in the community and our workplace is no different. We want to look after staff following distressing situations and we also want to provide a preventative approach for general mental health and wellbeing.

“I learnt about the new role that ReturnToWorkSA was providing in this space and was really keen both personally and as an organisation to come along on that journey so we can benefit from it, and in addition we wanted to help with the quest to improve mental health and wellness in the South Australian work arena.

“Our staff are really interested and engaged in the whole concept of mental health and wellness. We’ve put resources on the intranet so workers know where to go if they are struggling in a particular area, and down the track we’re looking at providing training around the area of mental health first aid.

“We want to better equip our leaders in how to identify and deal with mental health issues in the workplace, and we also want to provide our workforce with more training in the areas of being more resilient and exploring the whole concept of mindfulness.

“It’s still early days for us but we’re really keen to keep working with ReturnToWorkSA to help sculpt our framework around mental health and wellness for our workers.”

Regional engagement

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

Our risk management team visited Regional Development Australia (RDA) offices to let them know about the free assistance and advice on workplace mental health, including mental health support services such as the NewAccess program.

A range of return to work coordinator support services were provided to coordinators in regional areas including phone, email and face-to-face worksite visits, training and guidance. Return to work coordinator training was also provided on Kangaroo Island for the first time.

Our claims agents have some mobile claims managers that reside in several regional areas, and fly-in or drive-in support available to other regional areas.

Our premiums team regularly presented at BizLink seminars in the 2016-17 financial year, which are run by the Office of the Small Business Commissioner to provide employers with information on their responsibilities in the areas of compliance, registrations and licences, safety, and dispute resolution. The Bizlink seminars were held in both metropolitan and regional areas.

Information was also provided on work injury insurance responsibilities, how premiums are calculated, and claims agents’ mobile case management and phone reporting services.

The premiums and underwriting team also visited regional areas to deliver information sessions about labour hire and host employer responsibilities.

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

- delivering musculoskeletal, psychological injury and pain management workshops
- sponsorship of Rural Doctors Association of South Australia (RDASA) Masterclass weekend
- communicating the health benefits of work and implementing the GP campaign which involved practice-based education to clinics in the regions
- introducing the electronic Work Capacity Certificate (eWCC) to medical practices to enable doctors to quickly and efficiently certify capacity.

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 2016-17, the LSC received 313 phone enquiries and arranged 62 advice appointments.

About the insurance premium system

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



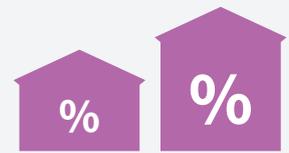
A simple premium calculation formula that is easy to explain and understand.



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.



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



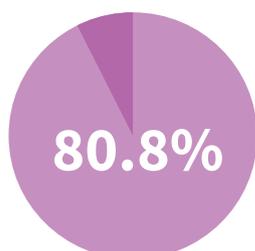
The same claims costs are not used in more than one premium year.



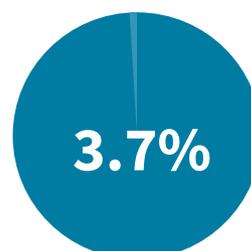
The adjusted premium calculation at the end of the financial year is based on changes to remuneration only.



A small number of large employers participate in a Retro Paid Loss (RPL) premium scheme with premium payable for the given year adjusted according to claims costs from that year occurring over a four-year period.



retained full discount



lost discount and paid a penalty



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

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

Complaints in 2016 -17 reduced by

42%

Low number of premium disputes in 2016-17

43

Reduction in claims disputes since the South Australian Employment Tribunal began in 2015

35%

Referrals, investigations and prosecutions

	2013-14	2014-15	2015-16	2016-17
Referrals	342	595	507	419
Investigations	89	137	125	104
Prosecutions	5	9	8	5

ReturnToWorkSA and our claims agents' administrative efficiency

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

Workplace advisory services

We provide skill development opportunities and one-on-one assistance to return to work coordinators for registered employers to support capability development. During 2016-17, more than 600 return to work coordinators attended training and skill building workshops, and more than 450 coordinators received face-to-face support and guidance. Coordinators are also provided with free access to a range of online resources through our partnership with Return to Work Matters.

Fraud and investigations

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

In 2016-17 our investigation activity culminated in five prosecutions. These prosecutions resulted in offenders having to repay significant sums as restitution and suspended prison sentences being imposed on all offenders.

The Compliance and Enforcement Unit received 419 referrals of suspected fraud. Of these, 104 investigations were completed.

We expect the number of referrals and investigations to remain static or decline over time. Improved return to work rates, the two year limit on income support, and face-to-face services all limit the opportunities for dishonest behaviour.

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

Regulating employer obligations

We regulate the Scheme through education and enforcement, which involves the investigation of potential breaches of the Act. All employers have obligations to provide suitable employment and to give us 28 days of notice of termination of a worker's contract of employment, and we have reviewed and enhanced our regulatory program in this area in 2016-17.

The Return to Work Compliance policy guides our approach to ensuring employer compliance. The policy includes an escalating sequence of compliance interventions ranging from the provision of information and education, review and audits, to the application of financial penalties in the form of supplementary payments under the Remissions and Supplementary Payments scheme. Or in the case of self-insured employers, additional self-insurance registration terms and conditions.

The compliance team applies a robust, evidence-based process to investigate and treat suspected instances of non-compliance referred by workers, employee representatives, claims agents and other stakeholders, or identified through proactive reviews. The process affords natural justice and draws on best-practice regulatory control frameworks. While our primary focus is to effect a timely, safe and durable return to work wherever possible, we also recognise that in some cases this is not achievable and that the return to work goal must be changed.

52 investigations were completed in 2016-17, with 37 employers found to be compliant with their obligations and 15 non-compliant.

Regulating self-insured employers

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

- 11 private self-insured renewals were completed
- five extensions of delegations to run-off self-insured claims were granted
- three new applicants were approved to commence self-insurance in 2016-17 (excluding amendments to group registrations)
- three employers ceased to be self-insured.

As at 30 June 2017, there were 73 self-insured employers registered in the South Australian scheme (see page 29).

Measured at 30 June 2017, 85% (62 of 73) of self-insured employers had achieved or been granted a renewal for a period of three years or more. This includes 23 (31%) self-insured employers granted a five year period of registration.

An improved process for the assessment of an initial application for registration as a self-insured employer has been implemented. The new process is considerably quicker and more transparent.

The Code of Conduct for self-insured employers has been rewritten to provide employers with a simplified, easy to understand and concise description of the terms and conditions of registration as a self-insured employer.

Regulation changes were effected in 2016-17 which reduced the scaling factor applied to self-insurer financial guarantees and liability transfer payments (paid when entering or exiting self-insurance) from 200% to 150%. This reduces the financial impost on self-insured employers.

Access and equity

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

We delivered the following access and equity themed information sessions to approximately 70 of our staff, claims agent staff and other scheme participants:

- Working with interpreters and translators
- Cultural diversity and cultural competency.

Information on the Return to Work scheme is available in 22 community languages.

The following private employers were self-insured at 30 June 2017

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

Our investment program

Our investment strategy is a fundamental component of ensuring the long-term viability of the Scheme. The mission of the investment program is to contribute to an improved funding and pricing position for the Scheme. The current long-term return objective for the investment program is a return of CPI + 2.5%.

Board approved strategic asset allocation

Throughout 2016-17, the Board approved the continuation of the moderate risk, balanced portfolio approach.

Premium management and compliance

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

The program undertakes a comprehensive audit program that uses targeted samples to verify an employer's reported remuneration and reviews the nature of the business to ensure it has the correct classification for a corresponding industry rate. We have introduced an employer self-assessment (ESA) targeted at smaller employers which allows us to verify employer remuneration without the need to visit the employer's premises. In 2016-17:

- \$517 million in insurance premium revenue was collected from more than 52,000 registered employers
- \$6.5 million in premium debt was written off for current and accumulated uncollectable debts in previous financial years
- 4,793 employers ceased registration during the year whilst 6,942 new employer registrations were received
- 939 employers were audited with \$2.4 million identified in underpayments
- \$86.1 million in remuneration discrepancies was identified through forensic investigations.

Net Investment return at 30 June 2017

Past year	Past 3 years	Past 5 years
7.7%	6.9%	9.3%

Board approved strategic asset allocation

Asset Group	Percentage of total investment portfolio
Domestic Cash	2%
Fixed Interest	10%
Inflation-Linked Securities	22%
Alternative Income	15%
Australian Equities	9%
International Equities	18%
Property and Infrastructure	24%

Premium disputes and review

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

In 2016-17, we received 43 review applications compared with 37 in the previous financial year.

A total of 45 disputes and review files were closed during 2016-17:

- three were varied at reconsideration
- 17 were withdrawn or conceded in favour of the employer after reconsideration
- 20 were resolved by conciliation
- five were withdrawn at formal review.

The panel conducted 20 directions hearings and two full hearings.

Outstanding claims liabilities

- \$20.9 million reduction in outstanding claims
- increase in the probability of sufficiency on outstanding claims from 65% to 75%
- the outstanding claims provision includes a higher risk margin reflecting uncertainty, arising from emerging legal precedents.

Complaints

There has been a significant reduction in the number of claim related complaints received by ReturnToWorkSA and its claims agents. During 2016-17, a total of 369 formal complaints were handled which is a decrease compared to 2015-16 (641 received) and 2014-15 (836).

Workforce planning and development



The transition from the *Workers Rehabilitation and Compensation Act 1986* to the *Return to Work Act 2014* was substantially completed in 2017. In addition, we also completed a comprehensive review of our organisational structure to ensure we have the right capability to deliver a desirable, affordable and durable recovery and work insurance scheme for South Australia.

ReturnToWorkSA workforce planning and development



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



notifiable WHS incidents

Workforce diversity

Number of employees by age bracket

Age bracket	Male	Female	Other	Total	% of total	2017 workforce benchmark*
15-19	0	0	0	0	0.0%	5.3%
20-24	1	0	0	1	0.4%	9.6%
25-29	3	4	0	7	2.7%	10.6%
30-34	11	18	0	29	10.9%	11.7%
35-39	15	14	0	29	10.9%	9.9%
40-44	20	18	0	38	14.3%	10.2%
45-49	19	35	0	54	20.4%	10.9%
50-54	20	17	0	37	14.0%	10.3%
55-59	15	20	0	35	13.2%	9.9%
60-64	10	15	0	25	9.4%	6.6%
65+	4	6	0	10	3.8%	5.0%
TOTAL	118	147	0	265	100.0%	100.0%

Executives

Executives by gender, classification and status*																		
Classification	Ongoing			Term tenured			Term untenured			Other (casual)			Total					
	M	F	X	M	F	X	M	F	X	M	F	X	M	%	F	%	X	
CEO				1									1	12.5	0			
Executives*				4	3								4	50.0	3	37.5		
Total				5	3								5	62.5	3	37.5		

* An executive is an employee who receives a total salary of \$117,677 or more or a total remuneration package value equivalent to \$147,196 per annum or more and who has professional or managerial 'executive' responsibilities or occupies a position having a work value of 670 points or more.

Leave management

Average days leave per full time equivalent employee					
Leave type	2012-13	2013-14	2014-15	2015-16	2016-17
Sick Leave	5.22	7.95	5.44	5.51	6.19
Family Carer's Leave	1.37	1.34	1.47	1.24	1.42
Special Leave with pay	0.15	0.02	0.01	0.00	0.10

Performance development

Documented review of individual performance management	
Employees with ...	% total workforce
A review within the past 6 months	N/A
A review older than 6 months*	99.17%
No review	0.83%

* Annual review has occurred within the past 12 months.

Leadership and management development

Leadership and management training expenditure		
Training and development	Total cost	% of total salary expenditure
Total training and development expenditure	\$232,261	0.72%
Total leadership and management development expenditure	\$55,024	0.17%

Work health and safety and injury management

Work health and safety prosecutions, notices and corrective action taken

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

Work health and safety performance (building safety excellence targets)

Total new workplace injury claims	2
Significant musculoskeletal injuries – where lost time exceeds one working week	0
Significant psychological injuries – where lost time exceeds one working week	1
Total significant injuries – where lost time exceeds one working week	1

ReturnToWorkSA has less than 300 employees, therefore the above data is representative of actual injuries.

ReturnToWorkSA workers compensation premium expense for 2015/2016 compared with 2016/2017

Year	Premium expense
2015-16	\$106,915
2016-17	\$119,933

Employment opportunity programs

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

Disability access and inclusion plans

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

- promoted how to request information in an alternative format on all of our products and our website
- promoted externally advertised job vacancies through Disability Works Australia
- delivered one disability awareness session to our staff and other scheme service providers
- continued to provide training to relevant staff on how to receive and make calls through the National Relay Service – this service is promoted on all products and our website so people who are deaf/have a hearing or speech impairment can access our services
- organised workplace modifications as required for individual staff.
- finalised our Disability Access and Inclusion Plan
- translated information about the Return to Work scheme in Australian Sign Language and made this available on our website

Corporate governance and administration



Corporate governance

ReturnToWorkSA Board

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

- Jane Yuile (Chairman)
- Joanne Denley
- Dr William Griggs, AM, ASM
- Chris Latham
- Nigel McBride
- Yvonne Sneddon
- Joe Szakacs
- Andrew Cadd was the Treasurer's Representative until September 2016
- Adam Lawrence was the Treasurer's Representative from October 2016 to June 2017

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 2017 comprised:

- Rob Cordiner, Chief Executive Officer
- Michael Francis, General Manager Insurance
- Julia Oakley, General Manager Regulation
- Des Quirk, Chief Financial Officer
- Kerryn Hendy, Executive Leader Technology Systems & Service
- Jasmin Rieck, Executive Leader People & Communications

Risk management

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

Internal audit and internal fraud

Our three year internal audit plan is reviewed annually to ensure it continues to reflect current issues impacting on ReturnToWorkSA, and to prioritise areas of higher risk. Internal auditing services were provided by PricewaterhouseCoopers (PwC) who reported to the ReturnToWorkSA Board Audit and Risk Committee. Following a tender process, internal audit services are being provided by KPMG from 1 July 2017.

In 2016-17, there were no instances of internal fraud detected.

Administrative matters

Access to information

In 2016-17, access to information held by us was obtained under section 180 of the *Return to Work Act 2014* (previously referred to as the Act) and the *Freedom of Information Act 1991* (FOI Act).

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

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

In 2016-17, 1,466 applications were received for access to information. Of these, 1,123 (77%) were lodged under section 180 of the Act (2014-15:1341) and 343 (23%) under the FOI Act (2014-15: 390).

If an applicant is dissatisfied with a determination under section 180 of the Act or the FOI Act, they can apply for a review of that determination. In 2016-17 we received two internal reviews under section 180 of the Act and one internal review under the FOI Act. We did not receive any external reviews.

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

Whistleblowers Protection Act 1993

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

In 2016-17 there were no instances of disclosure of public interest information to a responsible ReturnToWorkSA officer under the WPA.

Contractual arrangements

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

Consultants			
Consultancy	Purpose of consultancy	Number	\$
Total under \$10,000		1	9,000
Durban Professionals Pty Ltd	Consultancy advice		
Ernst & Young	Consultancy advice		
Finity	Actuarial advice		
Flinders University of SA	Consultancy advice		
Michels Warren	Consultancy advice		
Paul Laband	Investment consulting		
PricewaterhouseCoopers (NSW)	Consultancy advice		
Radek Stratil	Consultancy advice		
Towers Watson	Investment consulting		
WorkXtra Finwich	Consultancy advice		
Total over \$10,000		10	1,653,549
Total		11	1,662,549

Financial statements

ReturnToWorkSA

Annual financial report - 30 June 2017

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**ReturnToWorkSA
Statement of Comprehensive Income
For the year ended 30 June 2017**

	Notes	2017 \$'000	2016 \$'000
Premium revenue	8	517,140	495,123
Cost of claims	9	(356,749)	(521,933)
Claims management fees		(65,842)	(72,922)
Ombudsman, tribunal and panel fees	12	(8,377)	(10,165)
Underwriting result		86,172	(109,897)
Net investment profit	8(b)	209,623	122,489
Self-insured employer fee	8(c)	12,099	12,302
Other income	8(d)	665	781
Net investment profit and other income		222,387	135,572
Return to Work Fund		-	(169)
General operating expenses	13	(63,990)	(66,492)
Total operating expenses		(63,990)	(66,661)
Operating profit/(loss) before tax equivalents		244,569	(40,986)
Tax equivalents	5(g)	(73,371)	-
Operating profit/(loss) after tax equivalents		171,198	(40,986)
Other comprehensive income - items that will not be reclassified to profit or loss			
Re-measurements of defined benefit liability	14(b)	4,238	(3,414)
Total comprehensive result		175,436	(44,400)

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

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**ReturnToWorkSA
Statement of Financial Position
As at 30 June 2017**

	Notes	2017 \$'000	2016 \$'000
Assets			
Cash	15	3	3
Trade and other receivables	16	65,432	78,200
Investments	17	2,991,426	2,749,676
Property, plant and equipment	18	4,309	5,771
Intangible assets	19	13,322	16,759
Total assets		<u>3,074,492</u>	<u>2,850,409</u>
Liabilities			
Trade and other payables	21	19,356	22,673
Outstanding claims	10, 11	2,459,637	2,480,528
Employee benefits	14(a)	16,989	21,212
Provisions	22	4,343	636
Tax equivalents		73,371	-
Total liabilities		<u>2,573,696</u>	<u>2,525,049</u>
Net assets		<u>500,796</u>	<u>325,360</u>
Equity			
Retained earnings		<u>500,796</u>	<u>325,360</u>
Total equity		<u>500,796</u>	<u>325,360</u>
Commitments	27		
Employer financial guarantees	28		
Self-Insured Insolvency Contribution Aggregate	29		
Contingent liabilities	30		

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

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

ReturnToWorkSA
Statement of Changes in Equity
For the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
Total equity at the start of the year	325,360	369,760
Total comprehensive result	175,436	(44,400)
Total equity at the end of the year	500,796	<u>325,360</u>

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**ReturnToWorkSA
Statement of Cash Flows
For the year ended 30 June 2017**

	2017	2016
Notes	\$'000	\$'000
Cash flows from operating activities		
Premium receipts	579,330	563,870
Claim recoveries	11,232	25,564
Other receipts	332	1,719
Claim and other related payments	(390,952)	(618,983)
Interest received	36,605	38,998
Dividends received	49,733	45,182
Other payments to suppliers and employees	(127,984)	(178,054)
GST	(37,839)	(28,997)
Investment expenses	(5,133)	(5,236)
Net cash flows from/(used in) operating activities	23 <u>115,324</u>	<u>(155,937)</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	6	-
Proceeds from the sale of investments	519,807	761,283
Acquisition of property, plant and equipment	(1,530)	(614)
Acquisition of investments	(588,000)	(703,581)
Net cash flows from/(used in) investing activities	<u>(69,717)</u>	<u>57,088</u>
Net increase/(decrease) in cash and cash equivalents	45,607	(98,849)
Cash and cash equivalents at the beginning of the period	82,015	180,864
Cash and cash equivalents at the end of the period	15 <u>127,622</u>	<u>82,015</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

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ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 1 Reporting entity and objectives

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

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

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

ReturnToWorkSA
Notes to and forming part of the financial statements
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Note 2 Statement of compliance (continued)

RTWSA has applied Australian Accounting Standards that are applicable for not-for-profit-entities, as RTWSA is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by RTWSA for the reporting period ending 30 June 2017. None of these are expected to have a significant effect on the financial statements of RTWSA, except as outlined in the table below:

Reference	Title	Summary	Impact	Application date for RTWSA
AASB 9	Financial Instruments	AASB 9 includes revised guidance on the classification and measurement of financial instruments. It includes a new expected loss model for calculating the impairment of financial assets.	The preliminary assessment indicates that applying AASB 9 may increase the provision for impairment but that the effect would not be material.	1 July 2018
AASB 16	Leases	Introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.	The application of the standard will result in interest charges and depreciation in the early years of a lease exceeding the operating lease costs. This impact has been identified as not being material.	1 July 2019
AASB 17	Insurance Contracts	AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reflects the view that an insurance contract combines features of both a financial instrument and a service contract. The approach presents insurance service results separately from insurance finance income or expenses and requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses for the reporting period in profit or loss or to recognise some income or expenses in other comprehensive income.	The impact of the standard has not been determined.	1 July 2021 The AASB is currently undertaking further outreach to determine the applicability of this standard to not-for-profit public sector entities.

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Note 3 Basis of preparation

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

The preparation of financial statements requires:

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

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

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

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

Note 4 Use of judgements and estimates

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

Outstanding claims liability

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

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Notes to and forming part of the financial statements
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Note 4 Use of judgements and estimates (continued)

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 15.0% for the Compensation Fund (2016: 7.0%) and 10.5% for the Statutory Reserve Fund (2016: 6.0%) and the Insurance Assistance Fund (2016: 6.0%) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 45% (2016: 25%) at 75% (2016: 65%) 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 2016, is \$100,000.

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

Premiums receivable

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

Note 5 Significant accounting policies

(a) Administered items

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

(b) Foreign currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Amounts payable to and by RTWSA in foreign currencies have been translated to Australian currency at rates of exchange current at the reporting period with resulting exchange differences brought to account at 30 June 2017.

(c) Insurance contracts

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

(d) Assets backing insurance liabilities

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

(e) Revenue

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

ReturnToWorkSA
Notes to and forming part of the financial statements
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Note 5 Significant accounting policies (continued)

(e) Revenue (continued)

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

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.

(f) Expenses

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

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

The following are specific recognition criteria:

Net profit/loss on non-current assets

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

Operating lease payments

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

Claims management fees

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

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

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

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

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

Employee benefits - defined contribution superannuation plan

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

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Notes to and forming part of the financial statements
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Note 5 Significant accounting policies (continued)

(g) Taxation

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, effective 1 July 2015, RTWSA is required to pay to the SA Government an income tax equivalent. The 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 (ATO). The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

(h) Futures contracts

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

(i) Segment reporting

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

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Notes to and forming part of the financial statements
30 June 2017

Note 6 Reporting by fund

(a) Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	Compensation Fund \$'000	Statutory Reserve Fund \$'000	Insurance Assistance Fund \$'000	Part A \$'000	Mining & Quarrying Industries Fund Part B \$'000	2017 Total Funds \$'000	2016 Total Funds \$'000
Premium revenue		517,140	-	-	-	-	517,140	495,123
Cost of claims	9	(353,132)	(3,647)	30	-	-	(356,749)	(521,933)
Claims management fees		(65,842)	-	-	-	-	(65,842)	(72,922)
Ombudsman, tribunal and panel fees		(8,377)	-	-	-	-	(8,377)	(10,165)
Underwriting Result		89,789	(3,647)	30	-	-	86,172	(109,897)
Net investment profit		195,096	11,535	1,803	21	1,168	209,623	122,489
Self-insured employer fee		12,099	-	-	-	-	12,099	12,302
Other income		665	-	-	-	-	665	781
Net investment profit and other income		207,860	11,535	1,803	21	1,168	222,387	135,572
Return to Work Fund		-	-	-	-	-	-	(169)
General operating expenses		(62,864)	-	-	-	(1,126)	(63,990)	(66,492)
Total operating expenses		(62,864)	-	-	-	(1,126)	(63,990)	(66,661)
Operating profit/(loss) before tax equivalents		234,785	7,888	1,833	21	42	244,569	(40,986)
Tax equivalents		(73,371)	-	-	-	-	(73,371)	-
Operating profit/(loss) after tax equivalents		161,414	7,888	1,833	21	42	171,198	(40,986)
Other comprehensive income - items that will not be reclassified to profit or loss								
Re-measurements of defined benefit liability		4,238	-	-	-	-	4,238	(3,414)
Total comprehensive result		165,652	7,888	1,833	21	42	175,436	(44,400)

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Notes to and forming part of the financial statements
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Note 6 Reporting by fund (continued)

(b) Statement of Financial Position as at 30 June 2017

	Notes	Compensation Fund \$'000	Statutory Reserve Fund \$'000	Insurance Assistance Fund \$'000	Mining & Quarrying Industries Fund		2017 Total Funds \$'000	2016 Total Funds \$'000
					Part A \$'000	Part B \$'000		
Assets								
Cash		3	-	-	-	-	3	3
Trade and other receivables		65,397	-	-	-	35	65,432	78,200
Investments		2,789,736	160,617	25,204	293	15,576	2,991,426	2,749,676
Property, plant and equipment		4,309	-	-	-	-	4,309	5,771
Intangible assets		13,322	-	-	-	-	13,322	16,759
Total assets		<u>2,872,767</u>	<u>160,617</u>	<u>25,204</u>	<u>293</u>	<u>15,611</u>	<u>3,074,492</u>	<u>2,850,409</u>
Liabilities								
Trade and other payables		19,324	-	-	-	32	19,356	22,673
Outstanding claims	10, 11	2,385,798	73,526	213	100	-	2,459,637	2,480,528
Employee benefits		16,989	-	-	-	-	16,989	21,212
Provisions		4,343	-	-	-	-	4,343	636
Tax equivalents		73,371	-	-	-	-	73,371	-
Total liabilities		<u>2,499,825</u>	<u>73,526</u>	<u>213</u>	<u>100</u>	<u>32</u>	<u>2,573,696</u>	<u>2,525,049</u>
Net assets		<u>372,942</u>	<u>87,091</u>	<u>24,991</u>	<u>193</u>	<u>15,579</u>	<u>500,796</u>	<u>325,360</u>
Equity								
Retained earnings		<u>372,942</u>	<u>87,091</u>	<u>24,991</u>	<u>193</u>	<u>15,579</u>	<u>500,796</u>	<u>325,360</u>
Total earnings		<u>372,942</u>	<u>87,091</u>	<u>24,991</u>	<u>193</u>	<u>15,579</u>	<u>500,796</u>	<u>325,360</u>

Note 7 Funding ratio

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

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

	2017 \$'000	2016 \$'000
Funded position	<u>500,796</u>	<u>325,360</u>
Funding percentage	<u>119.5%</u>	<u>112.9%</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
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Note 8 Income

(a) Premium revenue

	2017	2016
	\$'000	\$'000
Registered employer premium	516,023	493,846
Fines and penalties	1,117	1,277
Premium revenue	517,140	495,123

Premium revenue

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

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

(b) Net Investment profit

	2017	2016
	\$'000	\$'000
Dividends	49,733	45,182
Interest received	36,605	38,998
Change in net market values:		
Investment held at end of financial year	106,792	58,130
Investment realised during the financial year	21,159	(15,061)
Investment profit	214,289	127,249
Investment expenses	(4,666)	(4,760)
Net investment profit	209,623	122,489

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.

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Notes to and forming part of the financial statements
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Note 8 Income (continued)

(c) Self-insured employer fee

	2017	2016
	\$'000	\$'000
Self-insured employer fee - SA Government	5,572	5,402
Self-insured employer fee - Non SA Government	6,527	6,900
Self-insured employer fee	12,099	12,302

(d) Other income

	2017	2016
	\$'000	\$'000
Defined benefit fund	363	537
Sundry income	302	244
Other income	665	781

Note 9 Cost of claims

	2017	2016
	\$'000	\$'000
	Notes	
Income support	140,311	177,278
Redemptions	23,327	169,211
Lump sum payments	50,823	65,365
Hospital treatment	14,617	16,639
Medical treatment	61,377	66,949
Vocational rehabilitation	14,683	9,994
Physiotherapy	8,477	9,580
Legal costs	28,847	32,625
Other	22,857	35,616
Claims paid	365,319	583,257
Less recoveries from other parties	(10,211)	(23,240)
Net claims paid	355,108	560,017
Decrease in net outstanding claims liability	(5,786)	(50,957)
Net self-insurer settlements	7,427	12,873
Cost of claims	356,749	521,933

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

(a) Outstanding claims

	Notes	2017 \$'000	2016 \$'000
Expected future gross claims payments (undiscounted)		4,942,977	4,442,043
Discount to present value		<u>(2,868,370)</u>	<u>(2,190,732)</u>
Central estimate		2,074,607	2,251,311
Risk margin		<u>311,191</u>	<u>157,592</u>
Liability for outstanding claims		2,385,798	2,408,903
Recoveries	16	<u>(65,776)</u>	<u>(80,881)</u>
Net liability for outstanding claims		<u>2,320,022</u>	<u>2,328,022</u>
Current liability for outstanding claims		394,777	431,475
Non-current liability for outstanding claims		<u>1,991,021</u>	<u>1,977,428</u>
Total liability for outstanding claims		<u>2,385,798</u>	<u>2,408,903</u>
Change in liability for outstanding claims		<u>(23,105)</u>	<u>(42,329)</u>
Change in claim recoveries receivable		<u>15,105</u>	<u>(13,885)</u>
Movement in net outstanding claims liability		<u>(8,000)</u>	<u>(56,214)</u>
Weighted average expected term to settlement		<u>15.0 years</u>	<u>15.0 years</u>

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by RTWSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 300, Valuations of General Insurance Claims, the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the net liability is adequately provided to approximately a 75% (2016: 65%) probability of sufficiency as approved by the Board.

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

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

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 15.0% (2016: 7.0%) to bring the estimated net liability to a 75% (2016: 65%) probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on actuarial advice from Finity Consulting Pty 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 decrease in the outstanding claims liability includes the net impact of the increase in the average discount rate from 3.28% at 30 June 2016 to 3.87% at 30 June 2017.

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	2017 Total \$'000	Current year \$'000	Prior years \$'000	2016 Total \$'000
Undiscounted						
Gross incurred	927,974	459,417	1,387,391	808,113	(788,461)	19,652
Recoveries	(12,972)	15,830	2,858	(13,876)	(22,690)	(36,566)
Net incurred	<u>915,002</u>	<u>475,247</u>	<u>1,390,249</u>	<u>794,237</u>	<u>(811,151)</u>	<u>(16,914)</u>
Discounted						
Gross incurred	538,765	(105,915)	432,850	508,618	83,252	591,870
Recoveries	(12,033)	15,352	3,319	(13,195)	(24,549)	(37,744)
Net incurred	<u>526,732</u>	<u>(90,563)</u>	<u>436,169</u>	<u>495,423</u>	<u>58,703</u>	<u>554,126</u>
Discount and discount movement						
Gross incurred	(389,209)	(565,332)	(954,541)	(299,495)	871,713	572,218
Recoveries	939	(478)	461	681	(1,859)	(1,178)
Net discount movement	<u>(388,270)</u>	<u>(565,810)</u>	<u>(954,080)</u>	<u>(298,814)</u>	<u>869,854</u>	<u>571,040</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 2007		Year ended 30 June 2008		Year ended 30 June 2009		Year ended 30 June 2010		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		
	Prior years*	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Estimate of ultimate claims cost**																							
At the end of the year	5,308,393	422,794	445,035	471,917	506,902	527,850	625,012	665,173	574,982	353,734	406,719	411,384											
One year later	5,375,011	435,848	447,935	480,472	487,196	586,296	616,974	602,689	403,139	373,333	407,683												
Two years later	5,355,522	460,605	461,964	489,652	521,046	562,035	581,152	435,366	400,500	339,167													
Three years later	5,270,586	475,519	457,878	517,651	499,973	545,014	415,185	448,842	387,006														
Four years later	5,218,762	484,162	492,947	525,857	515,277	448,017	416,116	433,620															
Five years later	5,197,075	496,736	513,198	542,833	420,122	429,945	413,940																
Six years later	5,204,076	499,395	510,115	415,349	432,573	405,541																	
Seven years later	5,208,418	490,010	400,071	406,873	416,154																		
Eight years later	5,203,985	409,044	407,104	397,925																			
Nine years later	5,189,232	423,358	397,154																				
Ten years later	5,214,805	407,952																					
Eleven years later	5,194,149																						
Current estimate of cumulative claims costs**	5,194,149	407,952	397,154	397,925	416,154	405,541	413,940	433,620	387,006	339,167	407,683	411,384											
Cumulative payments**	5,041,137	363,167	349,508	356,435	335,325	338,036	336,634	319,626	271,710	206,158	153,819	59,784											
Outstanding payments**	153,012	44,785	47,646	41,490	80,829	67,505	77,305	113,994	115,296	133,010	253,864	351,600											
Discount adjustment***	192,572	22,944	20,242	13,853	22,088	15,401	13,406	14,201	10,424	8,454	9,912	6,565											
Net outstanding claims	345,584	67,729	67,888	55,344	102,918	82,906	90,711	128,194	125,720	141,463	263,776	358,165											

* Development of incurred cost estimate as at 30 June 2007 for accidents prior to 30 June 2006.

** 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)

	2017 \$'000	2016 \$'000
Prior years	345,584	406,813
Year ended 30 June 2007	67,729	94,589
Year ended 30 June 2008	67,888	87,575
Year ended 30 June 2009	55,344	76,656
Year ended 30 June 2010	102,918	131,159
Year ended 30 June 2011	82,906	121,834
Year ended 30 June 2012	90,711	103,551
Year ended 30 June 2013	128,194	165,382
Year ended 30 June 2014	125,720	171,002
Year ended 30 June 2015	141,463	229,148
Year ended 30 June 2016	263,776	352,986
Year ended 30 June 2017	358,165	-
Net outstanding claims	1,830,398	1,940,695
Claims handling expenses	187,012	235,026
Risk margin	302,612	152,301
Net liability for outstanding claims	2,320,022	2,328,022

(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
2017	380,020	366,403	140,096	290,975	435,468	707,060	2,320,022
2016	420,097	330,035	149,348	285,203	451,309	692,030	2,328,022

(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:

	2017	2016
Economic Assumptions		
Inflation rate - income support	0.00% to 3.75%	0.00% to 3.25%
Inflation - medical, legal and other costs	2.20% to 4.00%	2.20% to 3.50%
Superimposed inflation rate - medical payments	0.00% to 4.00%	2.00% to 3.00%
Superimposed inflation rate - other	0.00% to 4.00%	0.00% to 3.00%
Discount rate	3.87%	3.28%
Duration and severity of claims	Refer below	Refer below
Claims handling expenses	9.9%	19.0%
Risk margin	15.00%	7.00%

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Note 10 Outstanding claims liability - Compensation Fund (continued)

(e) Key assumptions (continued)

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

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

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

(f) Sensitivity to changes in key assumptions

The sensitivity of the discounted net outstanding claims estimate and profit/(loss) impact at the 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 (3% gap between inflation and discount rate)	(583)	(25%)
Weak economic conditions (-1% gap)	179	8%
Duration and severity of claims		
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	322	14%
Impact of a 6 year increase in the life expectancy of catastrophic injury claims	392	17%
WPI assessments increase by 2% as a result of the higher incentives under the RTW Act	147	6%

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. Had a 75% probability been adopted in 2016 compared to the 65% probability adopted the outstanding claims liability would have been \$120.0m higher in 2016.

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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	2017 Combined \$'000	2016 Combined \$'000
Open claims	4,052	-	4,052	2,484
Total incurred but not yet reported (IBNR)	43,647	135	43,782	50,631
Claims handling expenses	4,054	12	4,066	4,515
Central estimate	51,753	147	51,900	57,630
Risk margin	21,773	66	21,839	13,895
Net liability for outstanding claims	<u>73,526</u>	<u>213</u>	<u>73,739</u>	<u>71,525</u>

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% (2016: 65%) probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos related disease claims that will be made after 30 June 2017 due to exposure prior to 30 June 2017. 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
2017	<u>4,522</u>	<u>5,553</u>	<u>6,578</u>	<u>16,081</u>	<u>25,748</u>	<u>15,257</u>	<u>73,739</u>
2016	<u>2,249</u>	<u>5,008</u>	<u>5,898</u>	<u>15,333</u>	<u>25,928</u>	<u>17,109</u>	<u>71,525</u>

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Notes to and forming part of the financial statements
30 June 2017

Note 11 Outstanding claims liability - Other Funds (continued)

(c) Movement in liability - SRF and IAF

	SRF			IAF		
	2017	2016	Change	2017	2016	Change
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Asbestos related						
Reported	2,765	989	1,776	-	-	-
IBNR / re-opened claims	43,480	50,283	(6,803)	135	179	(44)
	46,245	51,272	(5,027)	135	179	(44)
Non-asbestos related						
Reported	1,287	1,495	(208)	-	-	-
IBNR / re-opened claims	167	169	(2)	-	-	-
	1,454	1,664	(210)	-	-	-
Central estimate	47,699	52,936	(5,237)	135	179	(44)
Claims handling expenses	4,054	4,500	(446)	12	15	(3)
Risk margin	21,773	13,846	7,927	66	49	17
Total outstanding claims liability	73,526	71,282	2,244	213	243	(30)

(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.

	2017	2016
Inflation rate		
asbestos claims	5.25%	5.10%
non asbestos claims	3.25%	3.10%
Discount rate		
asbestos IBNR	3.20%	2.70%
other	3.20%	2.70%
Claim handling expenses	8.50%	8.50%
Risk margin		
reported claims	10.50%	6.00%
IBNR claims	45.00%	25.00%

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

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

(e) Sensitivity to changes in key assumptions

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

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Notes to and forming part of the financial statements
30 June 2017

Note 11 Outstanding claims liability - Other Funds (continued)

(f) Mining and Quarrying Industries Fund - Silicosis liability

The 30 June 2016 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.

(g) Summary of Other Funds

	2017	2016
	\$'000	\$'000
Statutory reserve fund	73,526	71,282
Insurance assistance fund	213	243
Mining and quarrying industries fund	100	100
Net liability for outstanding claims	73,839	71,625
Current liability for outstanding claims	4,521	2,249
Non-current liability for outstanding claims	69,318	69,376
Total liability for outstanding claims	73,839	71,625
Change in liability for outstanding claims	2,214	5,257

Note 12 Ombudsman, tribunal and panel fees

	2017	2016
	\$'000	\$'000
South Australian Employment Tribunal	7,782	9,170
Medical panels	-	466
Ombudsman funding	595	529
Total ombudsman, tribunal and panel fees	8,377	10,165

Note 13 General operating expenses

		2017	2016
	Notes	\$'000	\$'000
Employee benefits	14	36,934	33,429
Depreciation		1,771	1,622
Amortisation		4,439	4,388
Expenses relating to operating leases		2,544	2,534
Loss on disposal of non-current assets		75	-
Other operating costs		18,227	24,519
Total general operating expenses		63,990	66,492

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$425,000 (2016: \$395,000). No other services were provided by the Auditor-General's Department.

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Notes to and forming part of the financial statements
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Note 13 General operating expenses (continued)

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

	No.	2017 \$'000	No.	2016 \$'000
Below \$10,000	1	9	3	15
Above \$10,000	10	1,654	19	2,362
Total paid/payable to the consultants engaged	<u>11</u>	<u>1,663</u>	<u>22</u>	<u>2,377</u>

Note 14 Employee benefits

	2017 \$'000	2016 \$'000
Salaries and wages	32,463	28,434
Long service leave	447	901
Annual leave	558	430
Skills and experience retention leave	70	53
Defined benefit plan service cost	180	173
Defined benefit plan interest cost	681	891
Contributions to defined contribution plans	2,535	2,547
Total employee benefits expenses	<u>36,934</u>	<u>33,429</u>

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

	2017 No.	2016 No.
\$145,000 to \$147,000*	-	2
\$147,001 to \$157,000	9	4
\$157,001 to \$167,000	5	6
\$167,001 to \$177,000	2	1
\$177,001 to \$187,000	3	8
\$187,001 to \$197,000	1	-
\$197,001 to \$207,000	4	2
\$207,001 to \$217,000	2	1
\$217,001 to \$227,000	-	1
\$227,001 to \$237,000	1	3
\$237,001 to \$247,000	2	1
\$267,001 to \$277,000	-	2
\$287,001 to \$297,000	1	-
\$307,001 to \$317,000	1	-
\$337,001 to \$347,000	1	1
\$347,001 to \$357,000	1	-
\$357,001 to \$367,000	-	1
\$377,001 to \$387,000	-	1
\$457,001 to \$467,000	1	-
\$627,001 to \$637,000	-	1
Total	<u>34</u>	<u>35</u>

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Notes to and forming part of the financial statements
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Note 14 Employee benefits (continued)

The table includes all employees who received Normal Remuneration equal to or greater than the base executive remuneration level during the year. The remuneration amounts shown above include all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, any fringe benefits tax paid, or payable in respect of those benefits, and payments of accumulated annual leave, long service leave, superannuation and eligible termination payments, in respect of certain employees whose employment terminated in the financial year. The total remuneration received by these employees for the year was \$7.0 million (2016: \$7.5 million).

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

(a) Liability for employee benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	2,086	1,944
Recognised liability for defined benefit obligations	1,904	1,512
Skills and experience retention leave	84	87
Long service leave	2,878	3,029
	6,952	6,572
Non-current		
Recognised liability for defined benefit obligations	8,174	12,882
Long service leave	1,863	1,758
	10,037	14,640
Total employee benefits	16,989	21,212

Employee benefits - long service leave

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

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

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Notes to and forming part of the financial statements
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Note 14 Employee benefits (continued)

(b) Movement in net liability for defined benefit obligations

	2017	2016
	\$'000	\$'000
Balance at 1 July	(14,394)	(11,141)
Included in result from operating activities		
Service cost	(180)	(173)
Net interest	(317)	(354)
	(497)	(527)
Included in other comprehensive income		
Re-measurement gain:		
- Actuarial gain / (loss)	2,613	(3,579)
- Actual return on assets less interest income	1,625	165
	4,238	(3,414)
Other		
Employer Contributions	575	688
Balance at 30 June	(10,078)	(14,394)

(c) Net liability for defined benefit obligations

	2017	2016
	\$'000	\$'000
Fair value of scheme assets	17,320	16,145
Defined benefit obligation	(27,398)	(30,539)
Net liability	(10,078)	(14,394)

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

	2017	2016
	\$'000	\$'000
Opening fair value of defined benefit plan assets	16,145	15,821
Interest income	363	537
Actual return on assets less interest income	1,625	165
Employer contributions	575	687
Benefits and expenses paid	(1,388)	(1,065)
Closing fair value of defined benefit plan assets	17,320	16,145

RTWSA expects to contribute \$582,592 to the defined benefit plans in the 2017-18 financial year.

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Notes to and forming part of the financial statements
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Note 14 Employee benefits (continued)

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

	2017	2016
	\$'000	\$'000
Opening present value of defined benefit obligations	30,539	26,962
Current service cost	180	173
Interest cost	680	891
Actuarial (gains)/losses:		
- Impact of changes in demographic assumptions	(451)	-
- Impact of changes in financial assumptions	(2,081)	3,887
- Experience Items	(81)	(309)
Benefits and expenses paid	(1,388)	(1,065)
Closing present value of defined benefit obligations	27,398	30,539

Employee benefits - defined benefits superannuation plan

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

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

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

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

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Note 14 Employee benefits (continued)

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

	2017		2016	
	Active Market %	Non-active Market %	Active Market %	Non-active Market %
Australian equities	26.0	0.0	24.0	0.0
International equities	26.3	0.0	24.1	0.0
Property	2.2	13.0	2.5	11.8
Diversified strategies growth	1.0	10.8	0.8	10.2
Diversified strategies income	15.2	0.0	15.7	0.0
Inflation linked securities	3.2	1.0	0.0	5.7
Long term fixed interest	0.0	0.0	2.8	0.0
Cash	1.3	0.0	2.4	0.0
Total	75.2	24.8	72.3	27.7

(g) Major economic assumptions

	2017	2016
Discount rate	2.9%	2.3%
Long term salary rate increases	4.0%	4.0%
Long term CPI increases	2.5%	2.5%

(h) Sensitivity analysis

Scenario	Discount		Salary		Pension	
	rate plus 0.5%	rate less 0.5%	increase rate plus 0.5%	increase rate less 0.5%	increase rate plus 0.5%	increase rate less 0.5%
Present value of defined benefit obligation (\$'000)	27,398	-	-	-	-	-
Changed defined benefit obligation (\$'000)	- 25,869	29,086	27,518	27,284	28,968	25,967
Change in defined benefit obligation	- (5.6%)	6.2%	0.4%	(0.4%)	5.7%	(5.2%)

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Notes to and forming part of the financial statements
30 June 2017

Note 14 Employee benefits (continued)

(i) Maturity profile

The weighted average duration of the defined benefit obligation is 14.7 years (2016: 15.5 years). The expected maturity analysis of undiscounted benefit obligations is as follows:

	Less than 1 year \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Between 5-10 years \$'000	Between 10-15 years \$'000	Between 15-20 years \$'000	Between 20-25 years \$'000	Over 25 Years \$'000	Total \$'000
Defined benefit obligation 2017	1,904	1,542	4,694	7,806	7,028	5,896	5,094	7,162	41,126
Defined benefit obligation 2016	1,512	1,788	4,676	8,063	7,457	6,184	5,293	8,938	43,911

Note 15 Cash and cash equivalents

	Notes	2017 \$'000	2016 \$'000
Cash		3	3
Cash equivalents		127,619	82,012
Cash and cash equivalents in the Statement of Cash Flows		127,622	82,015

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.

Note 16 Trade and other receivables

	Notes	2017 \$'000	2016 \$'000
Current receivables			
Trade receivables		16,767	11,740
Less allowance for doubtful debts		(7,676)	(8,500)
		9,091	3,240
Refunds		(9,436)	(6,500)
Recoverable claim payments	10	14,757	11,378
Sundry debtors and prepayments		1	579
Total current receivables		14,413	8,697
Non-current receivables			
Recoverable claim payments	10	51,019	69,503
Total non-current receivables		51,019	69,503
Total trade and other receivables		65,432	78,200
Movement in the allowance for doubtful debts			
Opening balance		(8,500)	(8,500)
Amounts written off		6,537	3,600
Increase in allowance recognised		(5,713)	(3,600)
Total current receivables		(7,676)	(8,500)

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Note 16 Trade and other receivables (continued)

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. An allowance for doubtful debts is raised when there is objective evidence that RTWSA will not be able to collect the debt. Bad debts are written off when identified.

Note 17 Investments

	2017	2016
	\$'000	\$'000
Deposits with financial institutions	410,886	376,762
Government/semi-government securities	559,009	536,587
Non-government debt instruments	345,602	450,899
Securities listed on the Australian Stock Exchange	294,932	306,237
Securities listed on overseas stock exchanges	788,203	778,068
Unit Trusts – unlisted property and debt security assets	582,184	287,154
Derivatives	10,610	13,969
Total investments	<u>2,991,426</u>	<u>2,749,676</u>
Current	511,781	469,342
Non-current	2,479,645	2,280,334
Total investments	<u>2,991,426</u>	<u>2,749,676</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 18 Property, plant and equipment

	Leasehold improvements including office furniture and fittings \$'000	Computer, communications and general office equipment \$'000	Total \$'000
Fair value			
Balance at 1 July 2015	7,340	3,414	10,754
Additions	-	558	558
Disposals	-	(142)	(142)
Balance at 30 June 2016	<u>7,340</u>	<u>3,830</u>	<u>11,170</u>
Balance at 1 July 2016	7,340	3,830	11,170
Additions	-	389	389
Disposals	(565)	(1,221)	(1,786)
Balance at 30 June 2017	<u>6,775</u>	<u>2,998</u>	<u>9,773</u>
Depreciation			
Balance at 1 July 2015	(2,426)	(1,493)	(3,919)
Depreciation charge	(793)	(829)	(1,622)
Disposals	-	142	142
Balance at 30 June 2016	<u>(3,219)</u>	<u>(2,180)</u>	<u>(5,399)</u>
Balance at 1 July 2016	(3,219)	(2,180)	(5,399)
Depreciation charge	(771)	(1,000)	(1,771)
Disposals	561	1,145	1,706
Balance at 30 June 2017	<u>(3,429)</u>	<u>(2,035)</u>	<u>(5,464)</u>
Carrying Amounts			
At 30 June 2016	<u>4,121</u>	<u>1,650</u>	<u>5,771</u>
At 30 June 2017	<u>3,346</u>	<u>963</u>	<u>4,309</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.

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

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

	2017	2016
Leasehold improvements including office furniture and fittings	5-10	5-10
Computer and communications and general office equipment	3-5	4-5

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

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

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Note 19 Intangible assets

	IT development and software \$'000
Cost	
Balance at 1 July 2015	43,880
Balance at 30 June 2016	<u>43,880</u>
Balance at 1 July 2016	43,880
Additions	1,002
Balance at 30 June 2017	<u>44,882</u>
Amortisation	
Balance at 1 July 2015	(22,733)
Amortisation Charge	(4,388)
Balance at 30 June 2016	<u>(27,121)</u>
Balance at 1 July 2016	(27,121)
Amortisation Charge	(4,439)
Balance at 30 June 2017	<u>(31,560)</u>
Carrying Amounts	
At 30 June 2016	<u>16,759</u>
At 30 June 2017	<u>13,322</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.

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Note 19 Intangible assets (continued)

Impairment

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

Note 20 Fair value measurement (non-financial assets)

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

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

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

RTWSA had no valuations categorised into levels 1 or 2.

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

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

	Leasehold improvements including office furniture and fittings \$'000	Computer, communications and general office equipment \$'000	Total \$'000
Balance at 1 July 2015	4,914	1,921	6,835
Acquisitions	-	558	558
Depreciation	(793)	(829)	(1,622)
Disposals	-	-	-
Balance at 30 June 2016	4,121	1,650	5,771
Balance at 1 July 2016	4,121	1,650	5,771
Acquisitions	-	389	389
Depreciation	(771)	(1,000)	(1,771)
Disposals	(4)	(76)	(80)
Balance at 30 June 2017	3,346	963	4,309

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Note 20 Fair value measurement (non-financial assets) (continued)

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

	\$'000
2016	<u>(1,619)</u>
2017	<u>(1,846)</u>

Note 21 Trade and other payables

	2017 \$'000	2016 \$'000
Current		
Trade payables	17,876	19,939
Unearned premiums	38	378
Employment on-costs	711	903
Non-current		
Trade payables	543	1,329
Employment on-costs	188	124
Total trade and other payables	<u>19,356</u>	<u>22,673</u>

Payables are measured at nominal amounts, and are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Note 22 Provisions

	2017 \$'000	2016 \$'000
Balance at the start of the year	636	1,715
Provisions made/(written back) during the year	3,720	(369)
Provisions used during the year	(13)	(710)
Balance at the end of the year	<u>4,343</u>	<u>636</u>

The provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2017. The redundancy provision is calculated in accordance with the RTWSA Award 2015 and RTWSA Enterprise Agreement 2015. RTWSA expects to extinguish the liability within the next 12 months.

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

	2017 \$'000	2016 \$'000
Total comprehensive result	175,436	(44,400)
Depreciation	1,771	1,622
Amortisation	4,439	4,388
Net loss on sale of non-current assets	75	-
Investment (profit)	(214,289)	(127,249)
Dividends received	49,733	45,182
Interest received	36,605	38,998
Increase/(decrease) in payables	(3,178)	(31,130)
(Increase)/decrease in receivables	12,768	(8,815)
Increase/(decrease) in outstanding claims liability	(20,891)	(37,072)
Increase/(decrease) in employee benefits	(4,223)	3,618
Increase/(decrease) in tax equivalents provision	73,371	-
Increase/(decrease) in provisions	3,707	(1,079)
Net cash flows from operating activities	<u>115,324</u>	<u>(155,937)</u>

Note 24 Risk management

(a) Overview

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

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

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

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Note 24 Risk management (continued)

(a) Overview (continued)

The broad categories of risk faced by RTWSA are:

- insurance risk
- operational risk
- financial risk.

(b) Insurance risk

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

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

In accordance with the Act the Compensation Fund is funded by charging premiums to all employers covered by the Act which are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or premium rate applicable to each employer is determined annually based on the industry in which the employer operates and the Average Premium Rate. Small employers, with annual remuneration less than \$12,426 (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.

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

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

- Compensation Fund - every six months
- Statutory Reserve Fund (excluding IBNR arising from asbestos related matters) - every twelve months
- Insurance Assistance Fund (excluding IBNR arising from asbestos related matters) - every twelve months
- IBNR arising from asbestos related matters - every twelve months with a more detailed review every two years
- Mining and Quarrying Industries Fund - every three years.

(c) Operational risk

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

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Notes to and forming part of the financial statements
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Note 24 Risk management (continued)

(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.

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

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

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

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

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Note 24 Risk management (continued)

(d) Financial risk (continued)

The composition of each asset group at 30 June 2017 was:

	Deposits With Financial Institutions \$'000	Government / semi - Government Securities \$'000	Non- Government Debt Instruments \$'000	Securities listed on the Australian stock exchange \$'000	Securities listed on overseas stock exchanges \$'000	Unit Trust - Unlisted Property and Private Debt Assets \$'000	Derivatives \$'000	Total \$'000
Cash	127,619	-	-	-	-	-	-	127,619
Fixed interest	3,897	225,136	98,527	-	-	-	(353)	327,207
Inflation Linked Securities	199,855	327,644	70,309	-	-	-	-	597,808
Australian Equities	7,042	-	-	279,523	466	-	1,043	288,074
Overseas Equities - hedged	-	-	-	-	224,212	-	5,481	229,693
Overseas Equities - unhedged	-	-	-	-	346,164	-	-	346,164
Property & Infrastructure	8,968	-	-	15,409	217,361	445,330	2,852	689,920
Alternative income	63,505	6,229	176,766	-	-	136,854	1,587	384,941
	410,886	559,009	345,602	294,932	788,203	582,184	10,610	2,991,426

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

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

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

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Notes to and forming part of the financial statements
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Note 24 Risk management (continued)

(d) Financial risk (continued)

- 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.

Credit risk - investments

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

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

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Note 24 Risk management (continued)

(d) Financial risk (continued)

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

As at 30 June 2017:

	Short-term issue ratings*			Long-term issue ratings**				Not Rated***		Total \$'000
	A1+ \$'000	A1 \$'000	A2 \$'000	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	BB/B \$'000	\$'000	
Cash	117,590	10,029	-	-	-	-	-	-	-	127,619
Fixed interest	3,897	-	-	225,911	71,436	20,146	6,170	-	(353)	327,207
Inflation linked securities	175,822	24,033	-	333,222	20,956	32,631	11,144	-	-	597,808
Alternative income	45,885	17,598	22	27,928	48,916	97,284	132,309	7,801	7,198	384,941
	<u>343,194</u>	<u>51,660</u>	<u>22</u>	<u>587,061</u>	<u>141,308</u>	<u>150,061</u>	<u>149,623</u>	<u>7,801</u>	<u>6,845</u>	<u>1,437,575</u>

As at 30 June 2016:

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

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

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

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

Credit risk - other financial assets

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

3.0% of RTWSA's trade receivables were past due greater than 30 days (2016: 0.0%). The ageing of RTWSA's trade receivables at the reporting date was:

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Note 24 Risk management (continued)

(d) Financial risk (continued)

	2017	2016
	\$'000	\$'000
Not past due	8,022	2,940
Past due 1-30 days	796	1,074
Past due 31-60 days	240	-
Past due 61 days to one year	33	1
Impaired	-	-
	9,091	4,015

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. 80.5% (2016: 81.7%) of RTWSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. RTWSA's asset allocation is such that if required it could be realisable as cash within a few months. Accordingly RTWSA considers that its short-term liquidity risks are minimal.

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

As at 30 June 2017:

	1 year or less \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 Years \$'000	No Term \$'000	Total \$'000
Trade and other payables	18,625	731	-	-	-	19,356

As at 30 June 2016:

	1 year or less \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	No Term \$'000	Total \$'000
Trade and other payables	21,220	1,453	-	-	-	22,673

Market risk

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

RTWSA is exposed to market risk primarily through:

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

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Notes to and forming part of the financial statements
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Note 24 Risk management (continued)

(d) Financial risk (continued)

Currency risk

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

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

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
30 June 2017				
US Dollar (10% movement)	(15,943)	15,943	(15,943)	15,943
Euro (10% movement)	(3,234)	3,234	(3,234)	3,234
Sterling (10% movement)	(1,760)	1,760	(1,760)	1,760
JPY (10% movement)	(2,293)	2,293	(2,293)	2,293
Other (10% movement)	(11,633)	11,633	(11,633)	11,633
30 June 2016				
US Dollar (10% movement)	(16,024)	16,024	(16,024)	16,024
Euro (10% movement)	(3,061)	3,061	(3,061)	3,061
Sterling (10% movement)	(1,848)	1,848	(1,848)	1,848
JPY (10% movement)	(2,253)	2,253	(2,253)	2,253
Other (10% movement)	(10,189)	10,189	(10,189)	10,189

Interest rate risk

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

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

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

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Notes to and forming part of the financial statements
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Note 24 Risk management (continued)

(d) Financial risk (continued)

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
1% interest rate movement - interest bearing investments				
2017	(54,965)	54,965	(54,965)	54,965
2016	(46,567)	46,567	(46,567)	46,567

Market price risk

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

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

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

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

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
Listed Securities				
30 June 2017				
Domestic equities - (20% movement)	55,904	(55,904)	55,904	(55,904)
International equities - (20% movement)	115,171	(115,171)	115,171	(115,171)
Listed property - (20% movement)	17,199	(17,199)	17,199	(17,199)
Listed infrastructure - (20% movement)	30,784	(30,784)	30,784	(30,784)
30 June 2016				
Domestic equities - (20% movement)	58,160	(58,160)	58,160	(58,160)
International equities - (20% movement)	108,456	(108,456)	108,456	(108,456)
Listed property - (20% movement)	22,027	(22,027)	22,027	(22,027)
Listed infrastructure - (20% movement)	31,615	(31,615)	31,615	(31,615)

Fair value measurements

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

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 24 Risk management (continued)

(d) Financial risk (continued)

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 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Deposits with financial institutions	410,886	-	-	410,886
Government / semi-government securities	559,009	-	-	559,009
Non-government debt instruments	345,602	-	-	345,602
Securities listed on the Australian Stock Exchange	294,932	-	-	294,932
Securities listed on overseas stock exchanges	788,203	-	-	788,203
Unit Trusts – unlisted property and debt security assets	136,854	275,539	-	412,393
Unit Trusts - unlisted infrastructure	-	-	169,791	169,791
Derivatives	-	10,610	-	10,610
Total investments at fair value through profit and loss	2,535,486	286,149	169,791	2,991,426

At 30 June 2016:

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

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

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

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 24 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 2017 and 2016:

	Financial year ended 30 June 2017 \$'000	Financial year ended 30 June 2016 \$'000
Unit Trusts - unlisted infrastructure and debt security		
Opening balance	51,549	28,323
Contributions	116,315	20,488
Withdrawals	(12,670)	-
Gains recognised in investment profit	14,597	2,738
Closing balance	169,791	51,549

Note 25 Remuneration of board and committee members

Members during the financial year ended 30 June 2017 were:

Member	Appointed / Resigned	Board	Investment and Finance Committee	Audit and Risk Committee	Human Resources Committee
Ms. J Yuile		Chair	-	-	Member
Ms. J Denley		Member	-	Member	Chair
Dr. W Griggs		Member	Member	-	Member
Mr. C Latham		Member	Chair	-	-
Mr. N McBride		Member	-	Member	-
Ms. Y Sneddon		Member	-	Chair	-
Mr. J Szakacs		Member	Member	-	-

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

	2017	2016
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	-	1
\$60,000 - \$69,999	6	5
\$100,000 - \$109,999	1	1

The total remuneration received and receivable by board members was \$472,000 (2016: \$450,000) which includes superannuation contributions

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 25 Remuneration of board and committee members (continued)

The Ministers Advisory Committee is established under the Return to Work Act 2014 and gives advice direct to the Minister. The members remuneration paid/payable was \$60,000 (2016: \$81,000). Members during the 2017 financial year were: M Atchison (presiding member), D Blairs, P Dean, S Hall, A Moeller, S Myatt, J Wilson. H Treloar resigned on 8 December 2016, E Dabars resigned on 4 April 2017. E Van Der Linden was appointed on 2 February 2017.

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

Note 26 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.

(a) Key management personnel

Key leadership personnel RTWSA include the Minister, Board members, the Chief Executive Officer and members of the Executive Team who have responsibility for the strategic direction and management of RTWSA. The compensation detailed below 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 (via the Department of Treasury and Finance) under section 6 the Parliamentary Remuneration Act 1990.

(b) Key management personnel compensation

	2017
	\$'000
Short-term employee benefits	2,246
Post-employment benefits	212
Total	2,458

Note 27 Commitments

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

	Office Leases \$'000	Motor Vehicles \$'000	2017 Total \$'000	Office Leases \$'000	Motor Vehicles \$'000	2016 Total \$'000
Within one year	2,317	159	2,476	2,409	179	2,588
Later than one year but not longer than five years	10,106	173	10,279	9,715	183	9,898
Later than five years	-	-	-	2,676	-	2,676
	12,423	332	12,755	14,800	362	15,162

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

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

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 28 Employer financial guarantees

Under section 129 of the Act, RTWSA administers financial guarantees lodged by self-insured employers. As at 30 June 2017, RTWSA held security to the value of \$340.3 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.

Under the terms of the retro paid loss contracts, RTWSA administers financial guarantees lodged by retro paid loss employers. As at 30 June 2017, RTWSA held security to the value of \$69.1 million in financial guarantees for retro paid loss employers. These guarantees are held in the event of a retro paid loss employer no longer being able to meet its premium liability.

Note 29 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 2017 is \$52.3 million.

Note 30 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.

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

Note 31 Transactions with SA Government

The table below details the transactions with SA Government departments and agencies, excluding tax equivalents, for the financial years ending 30 June 2017 and 2016.

	2017 Revenue \$'000	2017 Expenses \$'000	2017 Assets \$'000	2017 Liabilities \$'000
SA Government	5,573	19,588	-	3,166
	2016 Revenue \$'000	2016 Expenses \$'000	2016 Assets \$'000	2016 Liabilities \$'000
SA Government	5,403	22,156	-	4,337

Transactions with SA Government entities below the threshold of \$100,000 have not been included.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 31 Transactions with SA Government (continued)

Administered items

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

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

Administered Items for the financial year ending 30 June 2017:

	2017 Revenue \$'000	2017 Expenses \$'000	2017 Assets \$'000	2017 Liabilities \$'000
Administered items	20,105	19,546	-	2,096

Administered Items for the financial year ending 30 June 2016:

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

Note 32 Events after the reporting period

There have been no events after the reporting period which would have a material effect on RTWSA's financial statements at 30 June 2017.

ReturnToWorkSA
Certificate under section 23(2) of the Public Finance and Audit Act 1987
30 June 2017

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

- comply with relevant Treasurer's instructions issued under section 41 of the Public Finance and Audit Act 1987, and comply with relevant accounting standards;
- are in accordance with the accounts and records of the Return to Work Corporation of South Australia; and
- present a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2017 and the results of its operation and cash flows for the financial year.

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



J. Yuile
Chair



R. Cordiner
Chief Executive Officer



D. Quirk
Chief Financial Officer

// September 2017

Independent auditor's report



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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *Return to Work Corporation of South Australia Act 1994*, I have audited the financial report of the Return to Work Corporation of South Australia for the financial year ended 30 June 2017.

Opinion

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 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes to and forming part of the financial statements
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

Inherent uncertainty – outstanding claims liability and funding ratio

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

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

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 Conduct for Professional Accountants have been met.

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

Responsibilities of the Chief Executive Officer and members of the Board for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and 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.

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

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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- 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 regarding, 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

14 September 2017

Actuarial certificate outstanding claim liabilities

RETURN TO WORK CORPORATION OF SOUTH AUSTRALIA

Actuarial Certificate

Outstanding Claim Liabilities at 30 June 2017

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. We have not independently verified or audited the data but we have reviewed it for general reasonableness and consistency, including reconciliations to the previous actuarial review reports and to ReturnToWorkSA's financial statements. In our view there were no data deficiencies which would have a material effect on our estimates.

Basis of Our Estimates

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

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

We note that areas of the RTW Act are currently subject to adverse legal decisions – decisions which have been appealed – and this increases the uncertainty around our estimates. While we have not changed our approach to setting the central estimate as a result of these SAET decisions whilst they are being appealed, the decisions have been considered in setting the risk margin loading at this valuation.

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

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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 2017 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 2017 is \$2,017 million. ReturnToWorkSA has provided \$2,320 million in its financial statements as at 30 June 2017 for the net outstanding claim liabilities, having added to our net central estimate a risk margin of 15.0% which is intended to increase the probability of adequacy of the provision to 75%. These amounts are made up as follows:

Table 1 – Outstanding Claim Liabilities at 30 June 2017 – Return To Work Scheme

	Central Estimate	Provision
	\$m	\$m
Gross Liability for Outstanding Claims		
<i>Serious Injuries</i>	1,325	
<i>Short Term Claims</i>	562	
<i>Claims Handling Expenses</i>	187	
Gross Liability	2,075	2,386
<i>Future Recoveries on Outstanding Claims</i>	-57	-66
Net Liability	2,017	2,320

Other Funds

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

Our central estimate of ReturnToWorkSA's net outstanding claim liabilities for the SRF and IAF as at 30 June 2017 is \$52 million. ReturnToWorkSA has provided \$74 million in its financial statements as at 30 June 2017 for the net outstanding claim liabilities, having added to our net central estimate risk margins (45% for asbestos and other 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 2017 – SRF and IAF

	Central Estimate	Provision
	\$m	\$m
Gross Liability for Outstanding Claims		
<i>Statutory Reserve Fund</i>	48	
<i>Insurance Assistance Fund</i>	0.1	
<i>Claims Handling Expenses</i>	4	
Gross Liability	52	74
<i>Future Recoveries on Outstanding Claims</i>	-	-
Net Liability	52	74

Uncertainty

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

Sources of uncertainty include difficulties caused by limitations of historical information, as well as the fact that outcomes remain dependent on future events, including legislative, social and economic forces, and behaviour by stakeholders such as ReturnToWorkSA management, claimants and claims Agents. With the RTW Act provisions only commencing on 1 July 2015, and with key legal precedent still to emerge, there is still considerable uncertainty as to the performance of the Scheme under these provisions. As noted earlier there is currently adverse legal precedent in relation to some of the RTW Act provisions, and if these precedents are not overturned on appeal then the costs are likely to increase above our projections.

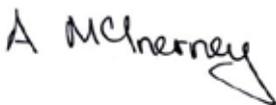
It is quite possible that one or more changes could produce a financial outcome materially different from our estimates.

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

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

Reports

Full details of the data, methodology, assumptions and results of our valuation are set out in our reports to ReturnToWorkSA dated 25 August 2017 (Scheme) and 25 August 2017 (SRF and IAF).



Andrew McInerney
(Scheme)
30 August 2017



David McNab
(SRF and IAF)
30 August 2017

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