

Saturday, 1 August 2020

## STATEMENT REGARDING MEDIA REPORTS RELATING TO ICARE

NSW Treasury wishes to clarify a number of claims that have appeared in the media today.

The Treasury Managed Fund (TMF) provides funding for the State's self-insurance scheme covering participating government entities for their insurable risk exposures. The TMF receives contributions from NSW government entities and holds assets to meet the cost of liabilities when they arise.

The TMF is backed by the NSW Treasury through the Net Asset Level Holding Policy, whereby payments to NSW Treasury are made if the funding ratio exceeds 115 per cent. If the funding ratio falls under 105 per cent, NSW Treasury makes a contribution to the fund. Media reports characterising this funds transfer as a 'bailout' are incorrect. Since 2011, the TMF has returned funds to the State in six of nine years.

The TMF was revalued at 31 March 2020, which coincided with a major financial markets downturn due to COVID-19. Australian equities (ASX 200) declined 21 per cent in the month of March alone and were down 24 per cent for the March quarter.

The NSW Government is managing an unprecedented set of external shocks impacting the economy and fiscal position, including COVID-19 and the summer bushfires.

An initial injection of \$2 billion was therefore made to the TMF at the end of June this year to address pressures on the scheme including:

- Lower than expected returns from investments resulting from the COVID-19 market downturn
- Existing and anticipated historic abuse claims
- COVID-19 presumptive legislation that creates a presumption in favour of workers who contract the disease
- Shutdowns from COVID-19 resulting in payouts for business interruption.
- Costs from the summer bushfires
- Increases in medical costs and psychological claims in the workers compensation portfolio

The proposed further contribution referred to in the media would be in part a projection to prepare for future claims, including the further impact of COVID-19. It is incorrect to say that the scheme is or will be \$4bn 'in deficit'. Making such contributions is part of the prudent management of the State's fiscal position.

Contributions to the TMF are payments to a fund managed by icare, not to icare itself.

NSW Treasury will continue to monitor the performance of this fund.

Under longstanding arrangements which pre-date icare, the TMF insures the State's people and property and is backed by the State.

The TMF invests in a broadly diversified portfolio of investments managed by TCorp. The fund returned 0.8 per cent in the 19/20 financial year, a materially lower return than the long-term expectations.

Agencies pay a contribution at the start of each year based on an estimate of their claims costs. It is difficult to estimate these costs exactly and therefore the payment or receipt mechanism under the Net

Asset Holding Level Policy as described above exists to adjust the TMF's funding to the target ratio at the end of the year to ensure it is appropriately funded for future years.

The performance of the TMF and any payments to or from the TMF are disclosed in the annual report of icare.

**MEDIA:** [media@treasury.nsw.gov.au](mailto:media@treasury.nsw.gov.au)