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# Jurisdictional Policy Advice No. 2010/03 *Safety, Rehabilitation and Compensation Act 1988*

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## Indexation of benefits under section 13 and section 13AA

### Purpose

1. The purpose of this advice is to inform determining authorities about the new indexation factors to be applied in accordance with sections 13 and 13AA of the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act).
2. The new indexation will come into effect on 1 July 2010. The indexation factors are:
  - 1.029 for subsections 17(3)–17(5) (death benefits)
  - 1.021 for subsections 18(4)(a), 19(7)–19(9), 24(9), 27(2), 29(1), 29(3), 30(1) and 137(1).

### Background

3. Section 13 of the SRC Act requires benefits in specific subsections to be indexed annually.

### Legislation

4. Section 13 of the SRC Act requires that movement in the Consumer Price Index (CPI) and the Wage Price Index (WPI) be measured from one December quarter to the next December quarter. This movement is applied to nominated sections of the SRC Act and may result in an increase in entitlements. The increase, if any, applies from 1 July the following year. This process is detailed below.
5. Indexation occurs by way of an 'indexation factor'. This is identified in section 13 as:
  - ...the number (calculated to 3 decimal places) ascertained by dividing the index number of the December quarter immediately before the relevant year by the index number for the December quarter immediately before that first-mentioned December quarter.
6. The 'index number' is also defined in section 13 of the SRC Act as:
  - ...the All Groups Consumer Price Index (CPI) number, being the weighted average of the 8 capital cities, published by the Australian Bureau of Statistics.

7. The *Employment and Workplace Relations Amendment Act 2009* amended the SRC Act by inserting section 13AA. This new section makes benefits under section 17 subject to movement in the WPI, rather than the CPI. For the purpose of section 13AA, the index number is the WPI (total hourly rates of pay excluding bonuses/all sectors/all Australia/original) number published by the Australian Bureau of Statistics for a particular quarter.
8. This amendment to the SRC Act relates only to death benefits under section 17. All remaining specified subsections [18(4)(a), 19(7)–19(9), 24(9), 27(2), 29(1), 29(3), 30(1) and 137(1)] are indexed using the CPI.
9. The following equation for calculating the indexation factor has been introduced in section 13AA:

$$\frac{\text{Index number for reference December quarter}}{\text{Index number for the base December quarter}}$$

The 'reference' and 'base' December quarters are also defined in section 13AA. They are defined as the last two December quarters before the relevant year, the 'reference' quarter being the most recent. The relevant year is the financial year in which the indexation occurred.

10. Both sections 13 and 13AA require the indexation result to be calculated to three decimal places and rounded up if necessary. This is done by initially calculating the number obtained to four decimal places. If the number at the fourth decimal place is greater than four, the number calculated is increased by 0.001 (rounded up). This becomes the 'indexation factor'.

## Calculation

11. The relevant year for this JPA is 2010. The 'reference' December quarter is therefore December 2009 (the December quarter before 2010) and the 'base' December quarter is December 2008 (the December quarter before that).

### Indexation of benefits under section 13 for death benefits—applying WPI

- The reference December quarter is December 2009. The original WPI index number published by the ABS for December 2009 quarter is 102.7.
- The base December quarter is December 2008. The original WPI index number published by the ABS for December 2008 quarter is 99.8.
- 102.7 divided by 99.8 equals 1.029058116. The number at the fourth decimal place is zero, which is not greater than 4, so no rounding is required and the **index factor becomes 1.029**.

WPI at December 2009	102.7
Divided by WPI at December 2008	99.8
Equals	1.029058116
Read to 4 decimal places	1.0290
Rounded to 3 decimal places	1.029

### Indexation of benefits under section 13 (excluding death benefits)—applying CPI

- The reference December quarter is December 2009. The CPI index number published by the ABS for December 2009 quarter is 169.5.
- The base December quarter is December 2008. The CPI index number published by the ABS for December 2008 quarter is 166.0.
- 169.5 divided by 166.0 equals 1.021084337. The number at the fourth decimal place is zero, which is not greater than 4, so no rounding is required and the **index factor becomes 1.021**.

CPI at December 2009	169.5
Divided by CPI at December 2008	166
Equals	1.021084337
Read to 4 decimal places	1.0210
Rounded to 3 decimal places	1.021

### Policy advice

12. Determining authorities must pay the following statutory amounts for any entitlement arising on and from 1 July 2010:

Subsection	Nature of benefit	Amount	Index factor
17(3)	Death—lump sum	\$442,177.76	WPI—1.029
17(4)	Death—lump sum	\$442,177.76	
17(5)	Death—dependent child (per week)	\$121.60	
18(4)(a)	Funeral Benefits	\$10,138.75	CPI—1.021
19(7)	Incapacity—employee (per week)	\$402.06	
19(8)	Incapacity—prescribed person (per week)	\$99.56	
19(9)	Incapacity—dependent child (per week)	\$49.75	
24(9)	Lump sum permanent impairment	\$159,236.05	
27(2)	Non-economic loss: impairment component 'A'	\$29,856.78	
	non-economic loss component 'B'	\$29,856.78	
29(1)	Household services	\$398.08	
29(3)	Attendant care service (per week)	\$398.08	
30(1)	Redemption—eligibility ceiling (per week)	\$99.56	
137(1)	Redemption—eligibility ceiling (per week)	\$99.56	

13. For enquiries concerning this policy advice, please contact the SRC Policy Section by telephone on 1300 366 979, or by email at [SRC.Policy@comcare.gov.au](mailto:SRC.Policy@comcare.gov.au).

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