



Australian Government
Comcare

Jurisdictional Policy Advice No. 2009/08a *Safety, Rehabilitation and Compensation Act 1988*

Indexation of benefits under section 13 and 13AA and insertion of section 13AA prescribing the Wage Price Index for section 17

Purpose

1. This advice revokes and replaces Jurisdictional Policy Advices (JPAs) 2009/01 and 2009/08. The purpose of the advice is to inform determining authorities about indexation of benefits under sections 13 and 13AA of the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act) and insertion of section 13AA prescribing the Wage Price Index (WPI) for section 17.
2. For the period 1 July 2009–30 June 2010, the following indexation factors should be applied under sections 13 and 13AA of the SRC Act:
 - 1.043 [subsections 17(3)–17(5)]
 - 1.037 [subsections 18(4)(a), 19(7)–19(9), 24(9), 27(2), 29(1), 29(3), 30(1) and 137(1)].

Background

3. JPA 2009/01 advised of changes to benefits under section 13 of the SRC Act from 1 July 2009. This JPA was replaced by JPA 2009/08 because:
 - a rounding error in the calculation formula had resulted in an underestimation of the benefits payable
 - the proclamation of the *Employment and Workplace Relations Amendment Act 2009* amended the value of benefits under section 17 of the SRC Act retrospectively from 13 May 2008 (refer JPA 2009/7)
 - the *Employment and Workplace Relations Amendment Act 2009* amended the SRC Act by inserting section 13AA. This amendment required that from 1 July 2009 benefits under section 17 would be subject to movement in the WPI, rather than the Consumer Price Index (CPI).

Jurisdictional Policy Advice No. 2009/08a

Safety, Rehabilitation and Compensation Act 1988

- The amended WPI indexation factor provided in JPA 2009/08 was incorrect. The indexation percentage that should be applied to subsection 17(3)–17(5) benefits should have been 4.30 per cent. When converted to a factor and rounded to three decimal places, as required by section 13AA, this equals 1.043. For the remaining subsections [18(4)(a), 19(7)–19(9), 24(9), 27(2), 29(1), 29(3), 30(1) and 137(1)] the factor of 1.037 is correct and based on movements in the CPI.

Legislation

- Section 13 of the SRC Act requires that movement in the CPI and the 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. The process is detailed below.
- 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.
- 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.
- 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.
- 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.
- 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.

- 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

12. The relevant year for this JPA is 2009. The 'reference' December quarter is therefore December 2008 (the last December quarter before 2009) and the 'base' December quarter is December 2007 (the December quarter before that).

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

- The reference December quarter is December 2008. The original WPI index number published by the ABS for December 2008 is 99.8.
- The base December quarter is December 2007. The original WPI index number published by the ABS for December 2007 is 95.7
- 99.8 divided by 95.7 equals 1.042842215. The number at the fourth decimal place is 8, which is greater than 4, so rounding up is required and the **index factor becomes 1.043**.

WPI at December 2008	99.8
Divided by WPI at December 2007	95.7
Equals	1.042842215
Read to 4 decimal places	1.0428
Rounded to 3 decimal places	1.043

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

- The reference December quarter is December 2008. The CPI index number published by the ABS for December 2008 is 166.0.
- The base December quarter is December 2007. The CPI index number published by the ABS for December 2007 is 160.1.
- 166.0 divided by 160.1 equals 1.036851967. The number at the fourth decimal place is 8, which is greater than 4, so rounding up is required and the **index factor becomes 1.037**.

CPI at December 2009	166.0
Divided by CPI at December 2007	160.1
Equals	1.036851967
Read to 4 decimal places	1.0368
Rounded to 3 decimal places	1.037

Policy advice

13. The table below contains the correct indexation factors and statutory amounts for each affected subsection. Determining authorities are required to pay benefits according to the relevant amounts for any entitlement for the period 1 July 2009 to 30 June 2010.

Subsection	Nature of benefit	Amount	Index factor
17(3)	Death—lump sum	\$429 716.00	WPI—1.043
17(4)	Death—lump sum	\$429 716.00	
17(5)	Death—dependent child (per week)	\$118.17	
18(4)(a)	Funeral Benefits	\$9930.22	CPI—1.037
19(7)	Incapacity—employee (per week)	\$393.79	
19(8)	Incapacity—prescribed person (per week)	\$97.51	
19(9)	Incapacity—dependent child (per week)	\$48.73	
24(9)	Lump sum permanent impairment	\$155 960.87	
27(2)	Non-economic loss impairment component, 'A'	\$29 242.68	
	non-economic loss component, 'B'	\$29 242.68	
29(1)	Household services	\$389.89	
29(3)	Attendant care service (per week)	\$389.89	
30(1)	Redemption—eligibility ceiling (per week)	\$97.51	
137(1)	Redemption—eligibility ceiling (per week)	\$97.51	

14. Note that there will be no retrospective adjustment to the 4.2 per cent indexation figure indicated in JPAs 2009/03 and 2009/04 [subsections 8(9B) and 8(9F) respectively]. That index, as described in the relevant Regulations, differs from the section 13 and 13AA index and is therefore not affected by this JPA.
15. 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.

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27 May 2010