

Consumer Price Index – Questions & Answers

What is the Consumer Price Index?

The Consumer Price Index (CPI) is a measure of changing price levels. When the CPI or prices increase, the value of the dollar drops. This means more money is required this year to purchase the same amount of food, clothes and other necessities purchased last year. To account for this inflation the WCB increases eligible benefits at the beginning of each year.

The CPI is calculated by Statistics Canada, and a more detailed definition/explanation can be found at <http://www.statcan.ca/>. Statistics Canada calculates a CPI figure for Canada, as a whole, and for each province, individually. The figures may be different. The WCB applies a formula to eligible benefits, which is based on the Nova Scotia CPI.

Which WCB benefits are eligible for a CPI increase?

Long term benefits (monthly pensions, monthly permanent impairment benefits, extended earnings-replacement benefits, survivor pensions and dependent child benefits) are indexed if they are in pay on January 1st. Short term benefits (temporary earnings-replacement benefits) are also indexed if they have been in pay for at least 12 continuous months by January 1st.

How much is the CPI increase?

The CPI increase is 0.95% for 2008.

How and when are CPI increases processed?

Statistics Canada releases the amount of the CPI in late January. The WCB begins its CPI process in February. The annual CPI payment process occurs in two phases:

Phase 1 – February to April - eligible benefits are adjusted for the current year (January 1st to December 31st) by applying the CPI increase. Cheques and letters are sent by early April.

Phase 2 - July to September - CPI adjustments will be issued for retroactive benefits.

- If a retroactive payment is issued by the end of June, retroactive CPI will be processed by September 2008.
- If a retroactive payment is issued after the end of June, retroactive CPI will be processed no later than March 2009.
- Any retroactive payments for long term benefits that are issued from November 8 onward will include CPI amounts. (Retroactive benefit payments for short term benefits will continue to be manually processed on a yearly basis)

In 2008 you are automating the CPI process. Why?

Automating the consumer price indexing process will improve service by issuing benefits on a more regular and timely basis.

When will the automated solution be in place?

The current annual CPI process will be maintained for 2008. Phase 1, the manual adjustment of regular periodic benefits, will occur between Feb and April. Phase 2, the manual adjustment of retroactive benefits, will occur between July and September. The automation will be implemented in November.

Recipients of long term benefits will see a change in January 2009 when they receive the CPI adjustment on their monthly benefit cheques as opposed to annual lump sum payments.

Why are short term benefits not included in the automation?

Short term benefits are only indexed if they have been in pay for 12 continuous months. Because many short term benefits do not exceed 12 months in duration and can change from time to time

as a result of transitional return to work or other circumstances, the manual process for indexing these benefits is more consistent and appropriate than an automated approach.

When are CPI increases NOT paid?

- If a benefit, by legislation, is not indexed;
- If the rate on which the temporary earnings-replacement benefit was based has not been in effect for 12 continuous months;
- If there is no change in price levels from one year to the next. In this case, eligible benefits would still be adjusted to reflect the CPI increases for previous years;
- If price levels (CPI) decrease. In this case, the WCB would not reduce benefits. CPI increases for previous years would continue to be paid; and
- If the WCB is legislated not to index benefits in any particular year.

Who do I contact for more information?

If you have questions after reading this information, please call us at (902) 491-8999 in Halifax, or 1-800-870-3331 toll free in Nova Scotia, or send us an email.