

Superannuation Technical Determination No. 1 of 2023

**Actual and benchmark return formulae modifications**

*Superannuation Industry (Supervision) Regulations 1994*

I, Carmen Beverley-Smith, delegate of APRA, under subregulations 9AB.12(4A) and 9AB.14(9A) of the *Superannuation Industry (Supervision) Regulations 1994* (the Regulations), DETERMINE *Superannuation Technical Determination No. 1 of 2023 – Actual and benchmark return formulae* modifications in the form set out in the Schedule, which applies to RSE licensees of superannuation entities that offer a Part 6A product that is both a MySuper product and a lifecycle Part 6A product.

This instrument commences on the day after it is registered on the Federal Register of Legislation.

Dated: 4 August 2023

Carmen Beverley-Smith

Executive Director
Superannuation Division

**Interpretation**

In this Determination:

***Act*** means the *Superannuation Industry (Supervision) Act 1993*.

***APRA*** means the Australian Prudential Regulation Authority.
***RSE licensee*** has the meaning given in section 10(1) of the Act.

***Part 6A product*** has the meaning given in section 60B of the Act.

***MySuper product*** has the meaning given in subsection 10(1) of the Act.

***lifecycle Part 6A product*** has the meaning given in regulation 9AB.3 of the Regulations.

**Schedule**

*Superannuation Technical Determination No. 1 of 2023 – Actual and benchmark return formulae modifications*comprises the document commencing on the following page.



Superannuation Technical Determination No. 1 of 2023

Actual and benchmark return formulae modifications

# Part 1 – Authority, commencement and interpretation

1. **Name of legislative instrument**

This instrument is *Superannuation Technical Determination No. 1 of 2023 – Actual and benchmark return formulae modifications*.

1. **Commencement**

        This instrument commences on the day after it is registered on the Federal Register of Legislation.

Note:    The register may be accessed at [www.legislation.gov.au](http://www.legislation.gov.au).

1. **Authority**

This instrument is made under subregulations 9AB.12(4A) and 9AB.14(9A) of the *Superannuation Industry (Supervision) Regulations 1994*.

1. **Definitions**

In this instrument:

***Act*** means *Superannuation Industry (Supervision) Act 1993*.

***actual return formula*** means the formula specified in subregulation 9AB.12(2) of the Regulations.

***benchmark return formula*** means the formula specified in subregulation 9AB.14(2) of the Regulations.

***change of lifestage***, in relation to a lifecycle Part 6A product, means if the following circumstances exist:

* 1. the product has particular lifestages at the end of a quarter in a lookback period for the product in respect of a financial year; and
	2. the product has different lifestages at the end of a later quarter in the lookback period.

Note 1: A later quarter mentioned in paragraph (b) must immediately follow the quarter mentioned in paragraph (a).

Note 2: For the lookback period, a lifecycle Part 6A product may undergo one or more changes of lifestage.

***change event*** means the date of a ***change of lifestage*** in relation to a lifecycle Part 6A product other than due to:

* 1. the deletion of a lifestage catering to an older membership cohort due to insufficient members; or
	2. the creation of a lifestage to cater for a younger membership cohort.

***day X*** means the day prior to the change event.

***lifecycle Part 6A product*** has the meaning given in regulation 9AB.3 of the Regulations.

***lookback period*** has the meaning given in regulation 9AB.6 of the Regulations.

***MySuper product*** has the meaning given in subsection 10(1) of the Act.

***Part 6A product*** has the meaning given in section 60B of the Act.

***Regulations*** means the *Superannuation Industry (Supervision) Regulations 1994*.

1. **Application**

This instrument applies to an RSE licensee of a superannuation entity that offers a Part 6A product that is both a MySuper product and a lifecycle Part 6A product.

# Part 2 - Determination of modifications to the actual return formula and benchmark return formula

1. **Circumstances where modifications to the formulae applies**

The modifications to the actual return formula and benchmark return formula specified in sections 7 and 8 apply to a lifecycle Part 6A product if there has been a change of lifestage.

1. **Modifications to the actual return formula**
2. The actual return for a lifecycle Part 6A product is the amount calculated using the actual return formula, as modified in the way specified in subsection (2).
3. In relation to a quarter during which a change event occurs, modify the actual return formula by substituting the definition of “lifestage weight” in subregulation 9AB.4(1) with:

“(1) The ***lifestage weight*** of a Part 6A product for the period from:

(a) the beginning of the quarter to Day X is:

(i) the market value at the end of the previous quarter of all investments supporting the Part 6A product that are referable to the lifestage;

divided by;

* + 1. the market value at the end of the previous quarter of all investments supporting the Part 6A product that are referable to a lifestage of the Part 6A product;

(b) the change event to the end of the quarter is:

* 1. the market value at the end of the current quarter of all investments supporting the Part 6A product that are referable to the lifestage;

divided by;

* + 1. the market value at the end of the current quarter of all investments supporting the Part 6A product that are referable to a lifestage of the Part 6A product.”
1. **Modifications to the benchmark return formula b**
2. The benchmark return for a lifecycle Part 6A product is the amount calculated using the benchmark return formula, as modified in the way specified in subsections (2) to (5).
3. In relation to a quarter during which a change event occurs, modify the benchmark return formula by substituting the definition of “lifestage weight” in subregulation 9AB.4(1) of the Regulations with:

“(1) The ***lifestage weight*** of a Part 6A product for the period from:

(a) the beginning of the quarter to Day X is:

(i) the market value at the end of the previous quarter of all investments supporting the Part 6A product that are referable to the lifestage;

divided by;

1. the market value at the end of the previous quarter of all investments supporting the Part 6A product that are referable to a lifestage of the Part 6A product;

(b) the change event to the end of the quarter is:

1. the market value at the end of the current quarter of all investments supporting the Part 6A product that are referable to the lifestage;

divided by;

1. the market value at the end of the current quarter of all investments supporting the Part 6A product that are referable to a lifestage of the Part 6A product.”
2. In relation to a quarter during which a change event occurs, for the part of a quarter from change event to end of the quarter, modify the benchmark return formula by substituting “SAAa,j,t-1” with “SAAa,j,t”.
3. Subsection (5) applies if a change event occurs at a time other than the end of a quarter.
4. For the purposes of the definition of ***index*** in regulation 9AB.5A of the Regulations, if the value of the assumed index for a covered asset class with ‘unlisted’ in its description in the table in subregulation 9AB.17(7) of the Regulations is not available on Day X, for the periods from:
5. the start of the quarter to Day X; and
6. the change event to the end of the quarter,

derive an index value at Day X through linear interpolation using the index values available immediately before and after Day X.

Note: The derived index value will then be used in the formula specified in the definition of ***index*** in regulation 9AB.5A of the Regulations to calculate an index amount. The index amount will in turn be used in the benchmark return formula.