



# 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*.

#### 2 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).

#### 3 Authority

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

#### 4 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:

- (a) 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

- (b) 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:

- (a) the deletion of a lifestage with low or zero member accounts; or
- (b) the creation of a lifestage to cater for the youngest 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*.

## 5 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

### 6 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.

### 7 Modifications to the actual return formula

- (1) 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).
- (2) 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 the change event 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;
    - (ii) 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:
    - (i) 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;
    - (ii) 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.”

## 8 Modifications to the benchmark return formula

- (1) 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).
- (2) 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;
    - (ii) 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:

- (i) 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;
- (ii) 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.”
- (3) 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 “ $SAA_{a,j,t-1}$ ” with “ $SAA_{a,j,t}$ ”.
- (4) Subsection (5) applies if a change event occurs at a time other than the end of a quarter.
- (5) 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:
  - (a) the start of the quarter to Day X; and
  - (b) 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 subregulation 9AB.5A of the Regulations to calculate an index amount. The index amount will in turn be used in the benchmark return formula.