



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.

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 catering to an older membership cohort due to insufficient members;~~ or
- (b) the creation of a lifestage to cater for ~~the youngest~~ 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*.

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~~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.”

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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~~regulation 9AB.5A of the Regulations to calculate an index amount. The index amount will in turn be used in the benchmark return formula.