



EXPLANATORY MEMORANDUM TO PROFESSIONAL STANDARD 403: PREPARATION OF BENEFIT CERTIFICATES

October 2010

About this Explanatory Memorandum

This Explanatory Memorandum has been prepared by the Superannuation and Employee Benefits Practice Committee ("SEBPC") to assist Members in understanding new Professional Standard 403 ("PS 403").

Introduction

On 1 March 2006, the Institute issued a Policy for Drafting Professional Standards (the "Policy") which was subsequently amended in June 2006. The Policy is designed to ensure that all Professional Standards use consistent and objective terminology such that mandatory duties and requirements for members are clearly defined and understood.

As a result, all existing Professional Standards and Guidance Notes are to be re-drafted in accordance with the Policy as either a Professional Standard or Practice Guideline.

The SEBPC has developed PS 403 to convert and update the existing mandatory Guidance Note 456 (Preparation of Benefit Certificates required under the Superannuation Guarantee (Administration) Act 1992) ("GN 456") (which was last issued in March 1995) in accordance with the Policy. PS 403 also incorporates requirements which will replace those in the existing mandatory Guidance Note 457 (Benefit Certificates for Deemed Defined Benefit Funds) (which was last issued in March 1995).

Consultation undertaken

In June 2010, the SEBPC released an Exposure Draft of proposed PS 403, inviting Members to make comment. Comments were also sought from the Australian Government Actuary and the Australian Taxation Office.

Three submissions were received. The SEBPC found the submissions very useful in finalising the standard and thanks Members and other interested parties for their consideration and comments.



Key changes

Aside from a number of editorial changes, the key change from the Exposure Draft was the addition of clauses 8.7 to 8.9 dealing with the case where more than one Benefit Certificate applies for a Fund, with consequential amendments to clauses 9.1(g) and 9.2.

In such cases, each Benefit Certificate must specify the total MRB for each Fund Member who is in a class of Fund Members covered by the certificate. However the total MRB in one such Benefit Certificate could specify the (total) MRB by utilising part or all of the MRB specification in another Benefit Certificate. An example of the operation of this requirement is set out in clause 8.8 of the standard.

A Member also queried whether clause 4.1(a) could be softened to require replacement of a Benefit Certificate only in circumstances where benefit amendments altered the MRBs. The SEBPC notes that clause 4.1(a) reflects the legislative requirements. However, the SEBPC intends to approach the Australian Taxation Office seeking its views on the appropriate interpretation of this legislative requirement and, if appropriate, the standard will be amended accordingly.

Commencement of PS 403 and withdrawal of other materials

This Professional Standard applies to certificates prepared on or after 1 December 2010.

In addition to GN 456 and GN 457, the following will be withdrawn once PS 403 commences:

- ▶ Information Note : Superannuation Guarantee Legislation – Earnings Base Change from 1 July 2008 (January 2008);
- ▶ Discussion Note : Benefit Certificates – Earnings Base Change from 1 July 2008 (April 2008);
- ▶ Notice to Members – Preparation of Benefit Certificates (September 2008); and
- ▶ Information Note : Benefit Certificates - Extension of deadline by ATO (November 2008).

END OF EXPLANATORY MEMORANDUM