

EXPLANATORY MEMORANDUM TO UPDATED VERSION OF PROFESSIONAL STANDARD 407 – SOLVENCY MANAGEMENT OF DEFINED BENEFIT SUPERANNUATION FUNDS

March 2020

1. ABOUT THIS EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared by the Superannuation Practice Committee (SPC) to assist Members in understanding changes to Professional Standard 407 *Solvency Management of Defined Benefit Superannuation Funds* (PS 407), which relates to preparation of funding and solvency certificates (FSCs) and actuarial control of a technically insolvent fund under part 9 of the Superannuation Industry (Supervision) Regulations 1994 (Cth).

As the nature of the changes to PS 407 are not substantive, they have not previously been exposed to Members, but were approved by Council as part of an expedited process.

2. CHANGES TO PS 407

The main changes to PS 407 are:

- ▶ to align it with current legislation (in particular to cater for making of the Superannuation Guarantee (Administration) Regulations 2018 (Cth), which replaced the Superannuation Guarantee (Administration) Regulations 1993 (Cth)); and
- ▶ to add commentary about the legislative requirements relating to the effective date and effective period of a funding and solvency certificate.

Changes have also been made to align PS 407 with the current drafting guidelines for Professional Standards and the new Code of Conduct which is to apply from 31 March 2020.

3. COMMENCEMENT DATE

The updated PS 407 will apply from 31 March 2020. Accordingly, it will apply to FSC's signed on or after 31 March 2020.

END OF EXPLANATORY MEMORANDUM