

EXPLANATORY MEMORANDUM TO UPDATED PROFESSIONAL STANDARD 408: PAYMENTS FROM SUPERANNUATION FUNDS TO EMPLOYERS

December 2020

1. ABOUT THIS EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared by the Superannuation Practice Committee (SPC) to assist Members in understanding updates to Professional Standard 408 Payments from Superannuation Funds to Employers (PS 408), which applies to Members certifying whether a complying superannuation Fund would remain in a "satisfactory financial position" under the SIS Act after the payment of an amount to an employer.

2. OUTLINE OF CHANGES

The key changes to the previous PS 408 (March 2020 version) are to:

- ▶ Incorporate additional conformance changes to align with the Institute's current Policy for Developing Professional Practice Documents;
- ▶ Clarify that the Standard also applies to "supporting" Members (i.e. Members supporting the Member providing the advice under the Professional Standard) as relevant to their contribution to the Services;
- ▶ Reflect changes resulting from the replacement of Australian Accounting Standard AAS 25 with AASB 1056 - in particular the use of Fair Value of assets under AASB 1056 compared to the previous use of Net Market Value under AAS 25; and
- ▶ Require the Member to consider Transaction Costs arising due to the sale of Assets necessary to achieve payment to the employer, and Transaction Costs arising if there are other expected changes in the Fund's operations at or around the time of the payment.

3. CONSULTATION

The SPC consulted with APRA in relation to the updates to PS 408 and their feedback has been taken into account in developing the amended PS 408.

Given the nature of the changes, the SPC recommended and Council agreed that there was no need for prior consultation with Members via an Exposure Draft.

4. COMMENCEMENT DATE

The updated PS 408 takes effect from 1 January 2021.

END OF EXPLANATORY MEMORANDUM