Professional Standard 403: Preparation of Benefit Certificates
Explanatory Memorandum
November 2026

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1. About this Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist Members in understanding updates to Professional Standard 403 – Preparation of Benefit Certificates (Updated PS 403), which relates to the preparation of Benefit Certificates under the Superannuation Guarantee (Administration) Act 1992 (Cth) (SG Act) following the "Payday Super" changes.

The updated PS 403 replaces the version dated May 2022 (rebranded October 2024) (Prior PS 403).

2. Application of the updated Standard

The Updated PS403 applies to Benefit Certificates signed on or after 1 July 2026, and addresses how certificates with an effective date prior to 1 July 2026 should treat the pre-1 July 2026 period by reference to the Prior PS 403.

Where a Benefit Certificate has been issued since 1 July 2026 based on an Exposure Draft of PS 403, the Member must check the Benefit Certificate against the published version of PS 403 and reissue it if the MRB under the original Benefit Certificate needs to be increased.

3. Background

The Updated 2026 PS 403 has been updated to reflect changes made by the Treasury Laws Amendment (Payday Superannuation) Act 2025 and the Treasury Laws Amendment (Payday Superannuation) Regulations 2026 (together, the Payday Super changes), which commenced from 1 July 2026.

Among other things, the Updated PS 403 reflects that, from 1 July 2026:

- the earnings base for Superannuation Guarantee (SG) purposes is Qualifying Earnings (QE) rather than OTE Base;
- each payment of QE is assessed against the Maximum Contribution Base (MCB) on a continuous annual basis rather than quarterly;
- accumulation members in a defined benefit fund can only be covered by a Benefit Certificate if they satisfy specific eligibility conditions relating to the use of reserves to meet part or all of their minimum benefits (see the definition of Notional DB Member).

4. Outline of changes (May 2022 version to Updated 2026 version)

4.1 Commencement and transition

Key changes include updated commencement and transition provisions:

- The Prior PS 403 applied to Benefit Certificates signed on or after 1 July 2022.
- The Updated PS 403 provides that it applies to Benefit Certificates signed on or after 1 July 2026, and includes transitional requirements for Benefit Certificates that have an effective date prior to 1 July 2026.

The Updated PS 403 also states that, while the SG Act provision regarding the period of effect of a Benefit Certificate was not amended as part of the Payday Super changes, Benefit Certificates prepared under a prior version of PS 403 are considered invalid in respect of any part of their effective period after 30 June 2026, due to:

- changes requiring NECRs to be determined using QE for periods beginning on or after 1 July 2026; and
- changes affecting which members are eligible to be covered by the Benefit Certificate on or after 1 July 2026.

4.2 New and revised terminology, definitions and concepts

The Updated PS 403 introduces and/or updates a number of definitions to align with the Payday Super changes, including (among others):

- Qualifying Earnings (QE) and QE Day;
- QEM as an earnings base concept that, from 1 July 2026, is based on QE;
- DB Member and Notional DB Member, including that a Notional DB Member is defined by reference to conditions in section 5A of the SG Regulations;
- updated treatment of Employer Contributions and Member Contributions, including that (from 1 July 2026) sacrificed contributions are excluded from Employer Contributions and are treated as Member Contributions, with the definition also addressing earlier periods as provided for in the prior Benefit Certificate;
- the continuing inclusion of concepts used in the Prior PS 403 (for example, OTE, OTE Base, Sacrificed Contribution, and the Preferred Approach), but updated so that PS 403 reflects their application as at 30 June 2026 and their interaction with the post-1 July 2026 regime.

4.3 Earnings base and NECR requirements from 1 July 2026

The Prior PS 403 was structured around NECRs based on a minimum of OTE and included the concept of using OTE Base under the Preferred Approach.

The Updated PS 403 updates this framework to:

- reflect that the SG Act requires NECRs applicable for any period commencing on or after 1 July 2026 to be determined as a percentage of QE; and

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- ensure that fully accumulation-style MRB elements are treated consistently with the legislated requirements for accumulation funds by requiring the allocation of investment earnings on Employer Contributions to be based on the applicable QE Day, i.e. generally within 7 business days of the QE day, rather than the previously allowed quarterly approach.

From 1 July 2026, QE replaces OTE and OTE Base as the SG earnings base. QE is a broader base that includes OTE as well as additional specified categories, specifically all commissions (not only those that would have been treated as OTE), and salary sacrifice reductions that would otherwise have been earnings. It also includes payments that were included within salary and wages under the previous law for arrangements that fall within the extended meaning of employee in the SG Act.

The Updated PS 403 also includes requirements and examples of how notional or actual Employer Contributions of x% of QE are treated for each QE Day from the effective date.

4.4 Changes to the impact of the MCB

From 1 July 2026 under the Payday Super changes, the MCB is applied on a continuous annual basis rather than quarterly as in the past. Each payment of an employee's QE is tested against the annual MCB on a cumulative basis. Once the total QE for the year exceeds the MCB, any excess of that payment of QE, and all future payments of QE for the year, are treated as equal to nil (so that SG contributions are not required for those payments of QE). Depending on the pattern of an employee's payments of QE, this may result in the employee exceeding the MCB earlier than in the past.

4.5 Accumulation members and eligibility for coverage under Benefit Certificates

Under the Payday Super changes, accumulation members can only be covered by a Benefit Certificate if they satisfy conditions relating to the use of reserves to meet part or all of their minimum benefits (reflected in the definition of Notional DB Member).

4.6 Updates relevant to Deemed Defined Benefit Funds

The Prior PS 403 includes Appendix 3: Deemed Defined Benefit Funds.

The Updated PS 403 updates Appendix 3 to reflect the post-1 July 2026 eligibility framework and related drafting changes, including that:

- a Fund Member of a Deemed Defined Benefit Fund can only be covered by the Benefit Certificate if – and only for the period/periods in which – they meet the eligibility conditions applicable to Notional DB Members;
- additional detail is included on the types of sources from which reserve assets to be utilised must be derived (including reference to surplus defined benefit assets in the circumstances described in the new PS 403);

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- the term of the Benefit Certificate must not exceed the period over which the available reserve assets will be fully utilised; and
- the MRB for a Deemed Defined Benefit Fund must be a fully accumulation-style MRB, with the relevant section for determining the NECR specified.

4.7 Other drafting updates and structural alignment to the 1 July 2026 regime

The Updated PS 403 includes additional references and drafting to support application of the Standard under the Payday Super regime, including:

- an explicit definition of the Payday Super changes;
- updated references throughout the Standard to align terms and requirements with the post-1 July 2026 framework (including the interaction between pre-1 July 2026 concepts and post-1 July 2026 concepts as set out in the definitions and NECR/MRB sections).

END OF EXPLANATORY MEMORANDUM

Document Control

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