

Director
Superannuation Insurance and Governance Unit
Retirement Advice and Investment Division
Treasury
Langton Cres
Parkes ACT 2600

Mercer (Australia) Pty Ltd
ABN 32 005 315 917
Collins Square
727 Collins Street
Melbourne, VIC Australia 3008
GPO Box 9946 Melbourne VIC 3001
T +61 3 9623 5464
www.mercer.com.au

Email: SuperannuationObjective@treasury.gov.au

26 September 2023

Subject: Superannuation (Objective) Bill – Exposure draft

Dear Sir/Madam

Mercer welcomes the opportunity to comment on the Exposure Draft Legislation and explanatory materials relating to the objective of superannuation released by Treasury on 1 September 2023.

The structure of this submission is as follows:

- Who is Mercer?
- Our support for the Bill
- Further comments and recommendations

Who is Mercer?

Mercer believes in building brighter futures by redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. Mercer's approximately 25,000 employees are based in 43 countries and the firm operates in 130 countries. Mercer is a business of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, with 85,000 colleagues and annual revenue of over \$20 billion. Through its market-leading businesses including Marsh, Guy Carpenter, Mercer and Oliver Wyman, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment.

Our support for the Bill

Mercer supports

- the introduction of the objective of superannuation through a Bill that is separate from other superannuation-related legislation
- the introduction of a statement of compatibility for any legislation relating to superannuation (unless an exception applies)

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- the clarification within the exposure draft explanatory materials that this Bill “is not intended to change the operation or interpretation of the existing superannuation law, prudential standards or governing rules of superannuation entities”
- the recognition within the exposure draft explanatory materials that “access to affordable group insurance is an important benefit of the superannuation system and is consistent with the objective”.

Mercer also recommends that the final explanatory materials

- include reference to the Retirement Income Covenant.
- include reference to the importance of financial advice.
- extend the statement of compatibility to include the impact on any future superannuation legislation on the future costs of the Age Pension.

Further comments and recommendations

Preservation of savings

Mercer strongly supports the concept that superannuation should be used for the provision of retirement benefits and should only be available prior to retirement in exceptional circumstances.

The focus on income for a dignified retirement

The primary purpose of our superannuation system should be to enable individuals to spread their earned income over their whole lifetime, as well as the lifetimes of any financial dependants. As outlined in the exposure draft explanatory materials, some flexibility is needed as to how this retirement income should be provided; that is, as a lump sum, income stream or a mixture of the two.

It is recommended that this explanation should also highlight the responsibility that superannuation fund trustees have under the Retirement Income Covenant and their requirement to assist beneficiaries to achieve the objectives of the covenant as they approach, and during, retirement.

The role of financial advice is also important in helping these beneficiaries to have a dignified retirement, which includes confidence about their financial future. It is therefore recommended that the explanatory materials should include a reference to the important role of financial advice.

Government support

The exposure draft explanatory materials highlight the important link between superannuation policy and government support, including the presence of our means-tested social safety net. Australia’s multi-pillar retirement income system is respected around the world, as highlighted by its strong ranking within the Mercer CFA Institute Global Pension Index.

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However, superannuation policy is often developed separately from our social safety net. It is therefore recommended that the statement of compatibility be extended to include the impact that any proposed Bill or regulation relating to superannuation has on the future costs of our social safety net. After all, the 2023 Intergenerational Report highlighted the benefits that superannuation is having on our projected Age Pension costs.

Naturally, we would be very happy to discuss any of our comments with you and your team as you carefully consider these matters. Please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dr David Knox', with a stylized flourish at the end.

Dr David Knox AM
Senior Partner