



welcome to brighter

30 January 2024

Senate Standing Committees on Economics
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Dear Sir/Madam

[An inquiry into the Superannuation \(Objective\) Bill 2023](#)

Mercer is delighted to make a submission to support the introduction of legislation outlining the objective of superannuation.

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.

The importance of an objective

An important starting point for all retirement income systems is to express the objectives of the overall system. As van Popta and Steenbeek note: "The objective of pension reform must be crystal clear and the perspectives of all stakeholders – consumers, employers, government, industry – must be addressed."¹

¹ van Popta and Steenbeek, Transition to a New Pension Contract in the Netherlands: Lessons From Abroad, Netspar Occasional Paper 03, 2021.

The recent Retirement Income Review commented: “An agreed objective is needed to anchor the direction of policy settings, help ensure the purpose of the system is understood, and provide a framework for assessing the performance of the system.”² Indeed, in our submission to this Review, Mercer commented that:

- There is an urgent need to determine the objectives of the overall system as well as the objectives of each pillar. Agreed objectives would clearly assist in the development of long term public policies.
- There must be a stronger focus on the provision of retirement income, as distinct from accumulation.

Therefore, Mercer supports the objective of superannuation as stated in clause 5(1) of the Bill, namely that:

“The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way.”

Some further comments

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 para 1.26 of the explanatory memorandum, 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.

Extend the statement of compatibility

The explanatory memorandum highlights 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.

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

² Australian Government the Treasury, Retirement Income Review, *Final Report*, 2020.

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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 the Committee as you carefully consider these matters. Please do not hesitate to contact us.

Yours sincerely,



Dr David Knox AM
Senior Partner

