Johnstone's Journal

JOHNSTONE'S JOURNAL is published monthly, and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies, and use as a payroll stuffer.

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Mandatory Retirement and Group Benefits

Forced retirement a thing of the past in Canada

The End of Mandatory Retirement

With recent changes in BC, Saskatchewan, Newfoundland, and Nova Scotia in 2009, it is now considered discriminatory in all provinces and territories to terminate an individual's employment based on age. Since we looked at this issue in the October 2006 *Johnstone's Journal*, these four provinces reviewed their labour laws and have made, or will make, Mandatory Retirement illegal:

- Newfoundland, as of May 26, 2007
- Saskatchewan, as of November 17, 2007
- BC, as of January 1, 2008, and,
- Nova Scotia, as of July 2009

Today, people are living longer and enjoying healthy, active lives well past the traditional retirement age. Our understanding of aging—and our actual experience—tells us that many people remain physically and intellectually vigorous into their sixties and seventies. The average retirement age in Canada is now 62 years old. While only a small fraction of Canadians continue to work full-time after reaching age 65, this is a growing demographic. Those who choose to stay at work do so for a variety of reasons, including personal fulfillment, social connections, and the opportunity to contribute expertise and experience. Others work out of financial necessity.

The Law

The term "mandatory retirement" is somewhat misleading, as **there is no law that requires employees to retire when they reach age 65**. Legislation for mandatory retirement is administered at the provincial level. In the past, "age" was defined as 18 to 65 years, and employers could force an employee to retire strictly due to age.

Why We Have Mandatory Retirement

According to experts, mandatory retirement might be just another dated social structure that once served employer and employee interests, but doesn't fit current lifestyles and needs, especially with the labour shortage that Canada is facing. Retirement laws evolved along with the development of both private and public pension plans. By implementing a mandatory date, employers were able to plan their pension and benefit financial obligations. For employees, knowledge of this set date aided them with their financial planning for retirement.

Benefits for Employees Age 65 and Over

The changes in mandatory retirement legislation **do not affect group benefit contracts.** Benefit providers can—and do—apply a maximum age limit by benefit. Regardless of these maximum age limits, **employees must continue to meet the definition of an eligible employee** as set in your contract, and are required to **work a minimum number of hours** each week, year-round. Typical examples of such restrictions are:

- Life/AD&D: reduces to 50% at age 65; terminates at age 70
- Dependent Life: terminates at age 70
- Long Term Disability (LTD): terminates at age 65
- Short Term Disability (STD): terminates at age 70
- Extended Health Care (EHC): terminates at age 70
- Dental: terminates at age 70

Your contract will specifically identify the age restrictions for your group. Employees, at or near, these ages should be made aware of their change in benefits.

On the Horizon

As the population continues to age and labour markets tighten, this may become a significant issue for employers. Insurers resist change, as the risk associated with catastrophic loss increases significantly with age. This in turn may make some benefits cost prohibitive. While many providers will consider increasing age limits for health and dental benefits, they firmly restrict Disability benefits, at least for now.