



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 staffer.

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The Aging Workforce and Group Benefits

Benefit plans are affected when employees delay retirement

Freedom 55? Or Is It 85?

In a famous ad for Freedom 55 that many Canadians still remember, a young business man running for a bus suddenly finds himself in the year he turns 55, running down a beach with his future self. A nice dream, but now more of us joke about Freedom 85 as a more realistic retirement goal.

Older Workers Keep Working

A recent survey shows that a growing number of Canadians plan to ease into retirement, and an increasing number don't expect to ever fully retire. Another survey shows that only 39% of Canadians working today expect to retire by age 65.

Many retirees report that they underestimated how much money they needed for retirement, and that the cost of living today is much higher than they expected. Significant downturns in the investment market over the past 15 years have decimated many savings plans.

With mandatory retirement prohibited in Canada, except in very specific situations, workers will each decide individually when to finally retire. Given a choice, many would prefer to reduce their workload but continue employment.

Benefits for Employees Age 65 and Over

Mandatory retirement legislation **does not affect group benefit contracts**. Insurers can—and do—apply maximum age limits by benefit. Further, **all employees must continue to meet the criteria of an eligible employee** as set in your contract, and are required to **work a minimum number of hours** each week.

Typical termination age limits are:

Life/AD&D: reduces by 50% at 65, terminates

employee's age 70

Dependent life: employee's age 70

Critical illness: insured's age 65 or 70

Long term disability: employee's age 65

Short term disability: employee's age 65 or 70

Extended health and dental: ranges from age 70 to no age limit

Your contract will specifically identify the age restrictions for your group. You need to be sure to advise employees who are at or near these ages. Conversion to a personal plan may be possible.

Benefits for the Semi-retired Employee

As more employees continue to work past age 65, they may request reduced or more flexible work hours. This can affect whether they are eligible for benefits. To verify coverage, review your contract and our [July 2012 Journal](#) *The Basics of Eligibility*.

Pensions and Other Considerations

The **Canada Pension Plan (CPP)** allows employees working beyond age 60 to begin receiving benefits without having to retire. This not only affects payroll, but may also impact disability benefits (see our [December 2011 Journal](#) *CPP Changes and LTD Benefits*). For more details on all government provided pension benefits, see:

www.servicecanada.gc.ca/eng/services/pensions/cpp/index.shtml

With skill shortages in many industries, keeping older workers on the job can be a significant advantage for organizations. However, you need to consider the implications, as their benefits needs and costs differ from other employees. Just remember that there are unique benefit issues, and so clear communication will go a long way to smoothing the transition.