

WORKING BEYOND AGE 65?

Group benefits and pension considerations

Mandatory retirement is prohibited in Canada, except in very specific situations. Most workers will eventually make their own decision if and when they wish to retire, and many workers will prefer to reduce their workload but continue employment for a period of time.

Older Canadians are a growing economic and politically influential group. They are staying healthier, active, and involved for longer. While there are challenges associated with an older workforce, it's going to be increasingly important to maintain older workers to retain experience and knowledge transfer, given the population census in Canada.

According to a Statistics Canada report in April 2022, the working-age population (persons aged 15 to 64) has never been older. More than 1 in 5 persons (21.8%) in this population is aged 55 to 64, an all-time high in the history of Canadian censuses. In addition, from 2016 to 2021, the number of persons aged 65 and older rose 18.3% to 7.0 million, and represent nearly 1 in 5 Canadians (19.0%), up from 16.9% in 2016. Population aging is primarily the result of low fertility and longer life expectancy.

Impact of COVID-19 pandemic

The COVID-19 pandemic has had many repercussions on the lives of Canadians. In a Benefits Canada article in September 2021, a new survey by Ipsos on behalf of the Canadian Institute of Actuaries found 23 per cent (nearly one quarter) of working Canadians say the coronavirus pandemic has delayed their — or their spouse's — timeline to retirement in order to amass enough retirement income (cited by 69 per cent). Additionally, 40 per cent of working Canadians said they don't know when they'll retire and a further 14 per cent said they don't expect to ever retire.

Group benefits for older workers

With skill shortages in many industries, keeping older workers on the job can add depth and a wealth of experience to a workforce. However, employers need to consider the implications, as their benefits needs and costs differ from other employees. Studies show group benefits and government pensions as two of many current impediments to the reality and the need for an older workforce in Canada based on aging demographics.

THE JOHNSTONE'S ADVANTAGE

Our mission is simple:
Treat each client as if they were our only client.

Our value is clear:
We are completely independent. We work for you and offer total flexibility on insurers and plans.

We offer all your group insurance services including administration, brokerage, consulting, and communications.

We provide dedicated client support, customization and flexibility to meet all of your company's benefits needs. And we make **solid group plans simple.**



Changes may happen in future. However today, regardless of retirement legislation, insurers can – and do – apply maximum age limits by benefit. Age limits typically specified in the group policy are:

- ☛ Life insurance/AD&D – reduces by 50% at age 65, terminates at age 70
- ☛ Dependent life insurance – employee's age 70
- ☛ Critical illness – insured's age 65 or 70
- ☛ Long term disability – employee's age 65
- ☛ Short term disability (WI) – employee's age 65 or 70
- ☛ Extended health and dental – ranges from age 70 to no age limit

We encourage employers to remember that there are unique benefit issues, and so clear communication will go a long way to smoothing the transition of benefits beyond age 65. See our June 2022 edition of Johnstone's Journal for detailed information on conversion privilege provisions, as employees no longer eligible for group insurance may be able to convert some or all of their insurance to an individual policy.

Benefits for 'owner' and semi-retired employee

Some clients of Johnstone's Benefits are small business owners as well as employees, so we often see 'employees' over age 65. As well, employees who continue to work past age 65 may request reduced or more flexible work hours.

As an 'employee', the person must continue to meet the criteria of an eligible employee as set in the insurance contract, and are required to work a minimum number of hours each week.

- ☛ The standard contract is 30 hours a week, but contractually this can be reduced to as low as 20 hours a week
- ☛ Work weeks with as few as 15 hours may be approved on an exception basis

Pensions

Canada Pension Plan (CPP)

The Canada Pension Plan allows employees working beyond age 60 to begin receiving benefits without having to retire. As well employees over 65 can defer this benefit until age 70. This will not only affect payroll, but may also impact disability benefits. For more details on all government provided pension benefits, see:

www.canada.ca/en/services/benefits/publicpensions/cpp.html

Old Age Security (OAS)

The Old Age Security program provides payment to people ages 65 and older who meet the legal status and residence requirements.

The benefit is considered taxable income, so employees and employers may need to be aware of this. For further information, see:

www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security.html

We are here to help

For questions about benefits and the contractual termination ages, or for more detailed information about your contract, contact us here at Johnstone's Benefits.

CONTACT US

Johnstone's Benefits

3095 Woodbine Drive
North Vancouver, BC V7R 2S3

Phone: 604 980 6227
Toll Free: 1 800 432 9707
Fax: 604 983 2935

Website: www.jbenefits.com

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 share with your employees.

