

THE AGING WORKFORCE AND GROUP BENEFITS

Benefit plans are affected when employees delay retirement

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 60% of Canadians expect to be working at age 66.

In 2016 the employment rate for people age 65 and older was 13.9%, compared to 8.4% in 2001.

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.

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. And if they continue to work past age 65, there can be implications to the employees and the benefit plans offered to them through their employer.

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. All employees 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.

Typical termination age limits are:

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

The insurance contract will specifically identify the age restrictions for the specific group. Employers need to advise employees who are at or near these ages that their coverage could be changing or terminating. Conversion to a personal plan may be possible for affected employees, something Johnstone's Benefits is happy to assist employees in reviewing costs and applying for coverage. So please contact us.

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.**



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. Employers and employees should be aware of the eligibility requirements of their benefits plan based on minimum hours worked.

For benefits where there is no age limit for coverage (see above), employees are required to meet the minimum hours requirement in order to be eligible for coverage;

- ☛ 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 the link below:

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

Considerations

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. Just remember that there are unique benefit issues, and so clear communication will go a long way to smoothing the transition.

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.

Changes to CPP as of January 1, 2019

Did you know, that the Canada Pension Plan (CPP) is being gradually enhanced? This means that you will receive higher benefits in exchange for making higher contributions. This only affects those who work and make CPP contributions as of 2019. See the following link for more details:

<https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-enhancement.html>

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