

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 part-time 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. In recent years, the aging of the Canadian workforce has led to numerous discussions on how to increase Canada's aggregate labour supply. As life expectancy rises and physically demanding jobs account for a smaller share of jobs than they did in the past, seniors are one segment of the labour force for which increases in labour force participation rates are potentially feasible.

Statistics Canada reported in July 2023 18.9% of the Canadian population was age 65 or older. In 2022, they reported that 21% of seniors aged 65 to 74, Canadian-born and immigrants, reported working – 9% reported working by necessity and 12% reported working by choice. Some groups of seniors with higher financial vulnerability, such as immigrants, women with no spouse and men living in rented dwellings, were more likely than others to work by necessity. Compared with seniors who worked by choice, seniors who worked by necessity received lower wages and were more likely to hold jobs that required relatively little training, education and experience.

Lastly, it should be noted that the employment decisions of some seniors, as measured in 2022, may have been partly influenced by the COVID-19 pandemic.

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 benefits needs and costs for seniors 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 2025 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

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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.

