

# Semi-Retired Benefits: Working Past Normal Retirement Age and the Impact on Sponsored Benefit Programs

33rd Annual ISCEBS Employee Benefits

## Symposium

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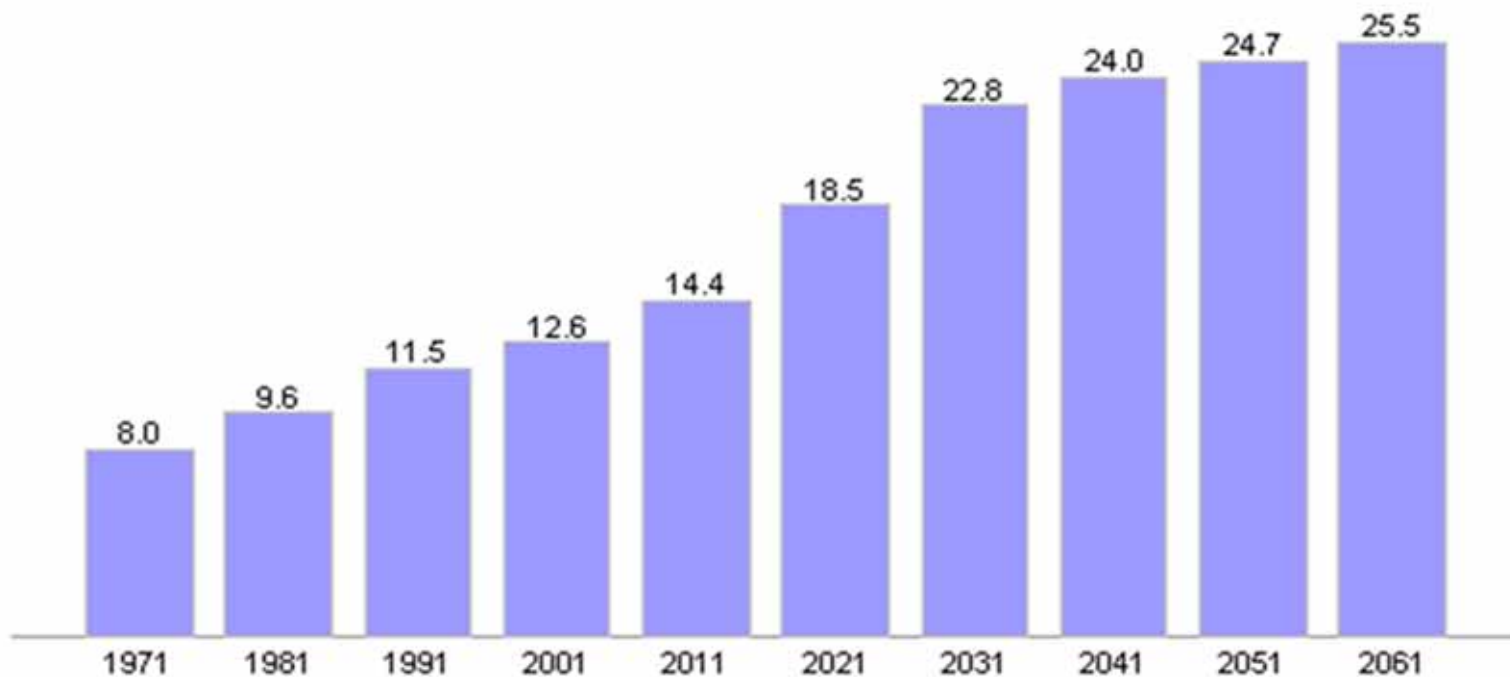
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# Agenda

- Retirement Patterns
- Labour Force
- Employment Reality
- Current Environment vs. Semi-Retiree Benefit Needs
- Present Reality and Emerging Strategies
- Open Discussion

# Canadian Projected Population 65+

Population 65 years and over, Canada, Historical (1971-2011) and Projected (2012-2061)  
(percent)



Source: HRSDC calculations based on Statistics Canada, 2011

# Retirement Patterns

- Affordability
- Macroeconomics
  - Societal needs
  - Baby boom demographics
- Longer life expectancy
- Increased capacity and desire to work
- Employer talent and knowledge retention

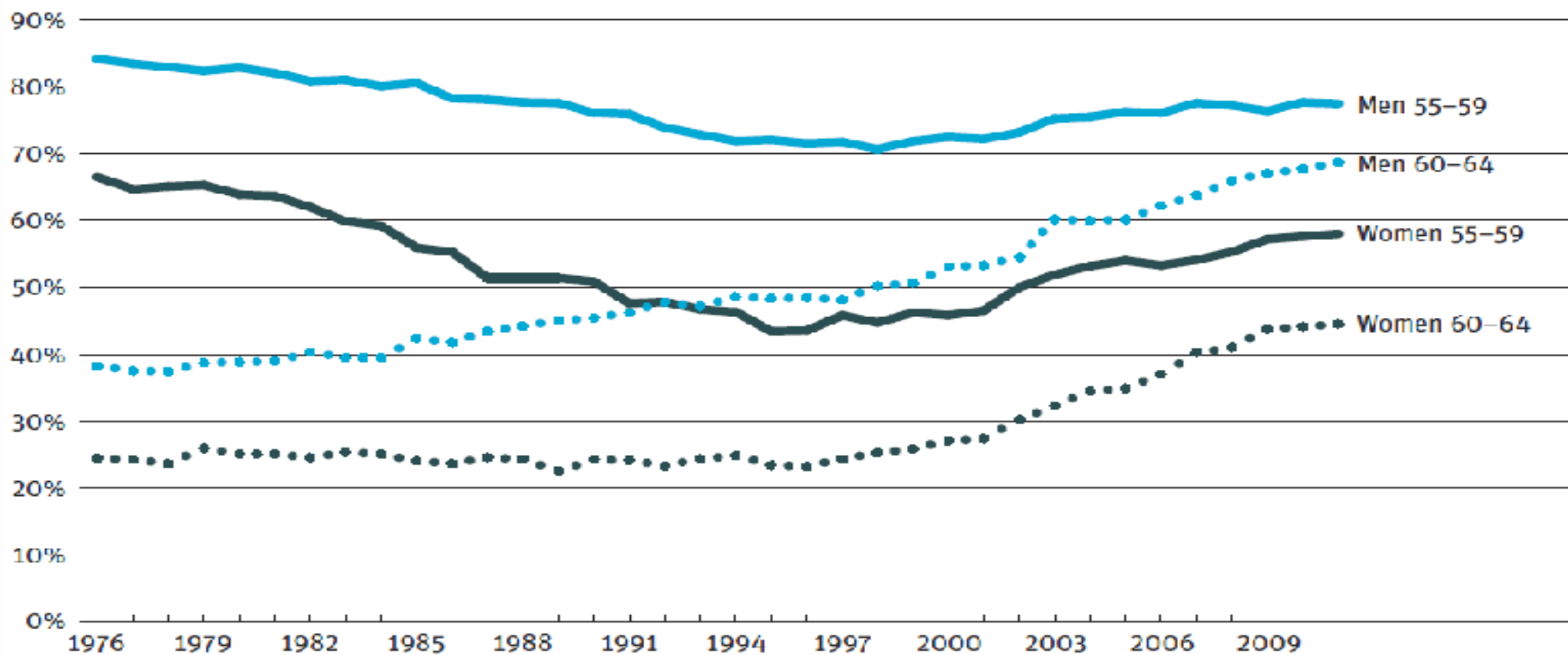
# Retirement Patterns

- Life expectancy at birth:
  - 71 in 1970
  - 81 in 2009
  - 83 (projected) by 2013.
- Canadians expected to spend 70 of 80 years in good health
- Canada's expected median age is 43.3 by 2026
  - Up from 38.8 in 2006, and 40.2 in 2012
- Seniors in Canada projected increase to 9.8M by 2036
  - 24.5% of population
  - Up from 4.2 million
- Median retirement age increased to 62.6 in 2012
  - Up from 60.8 in 2008

Source: Statistics Canada - CANSIM

# Labour Force Participation

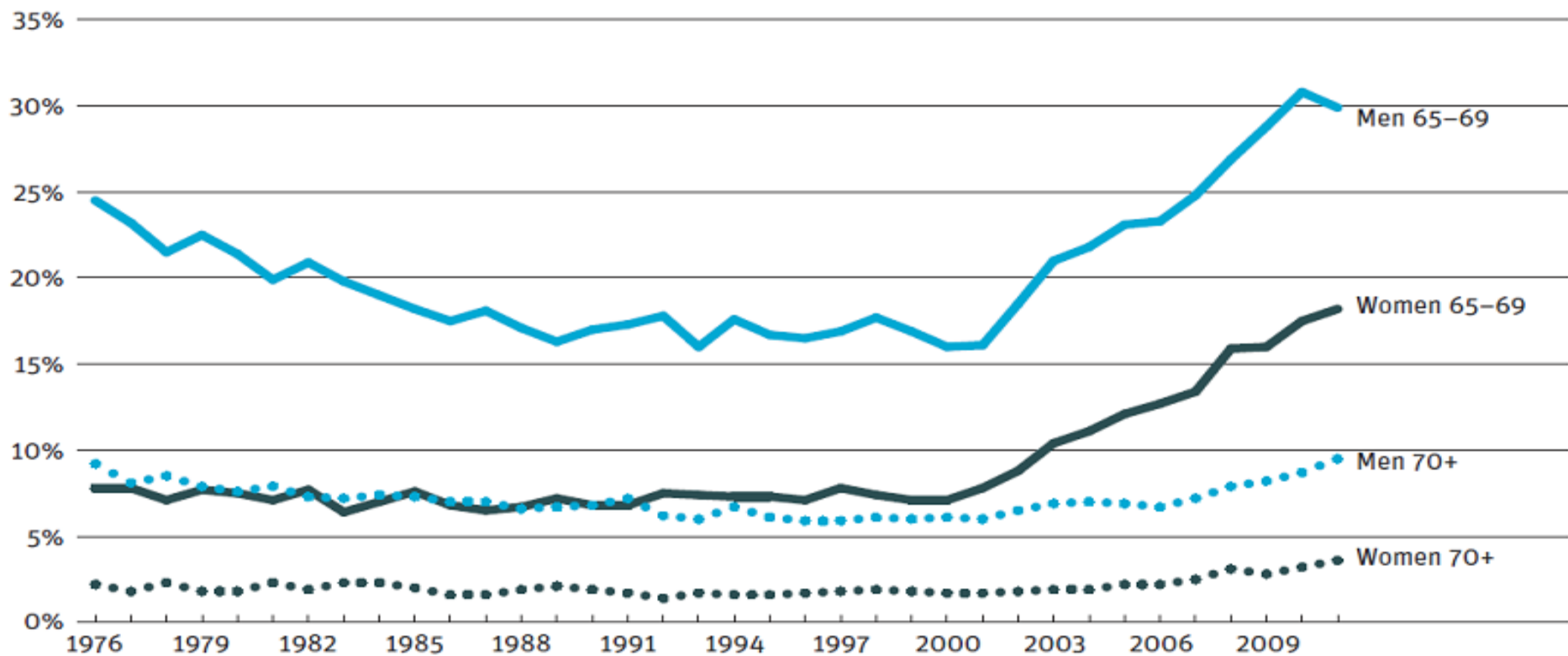
**FIGURE 1** Labour Force Participation Rates of Canadians, 55 to 64



Source: Statistics Canada, Labour Force Survey

# Labour Force Participation

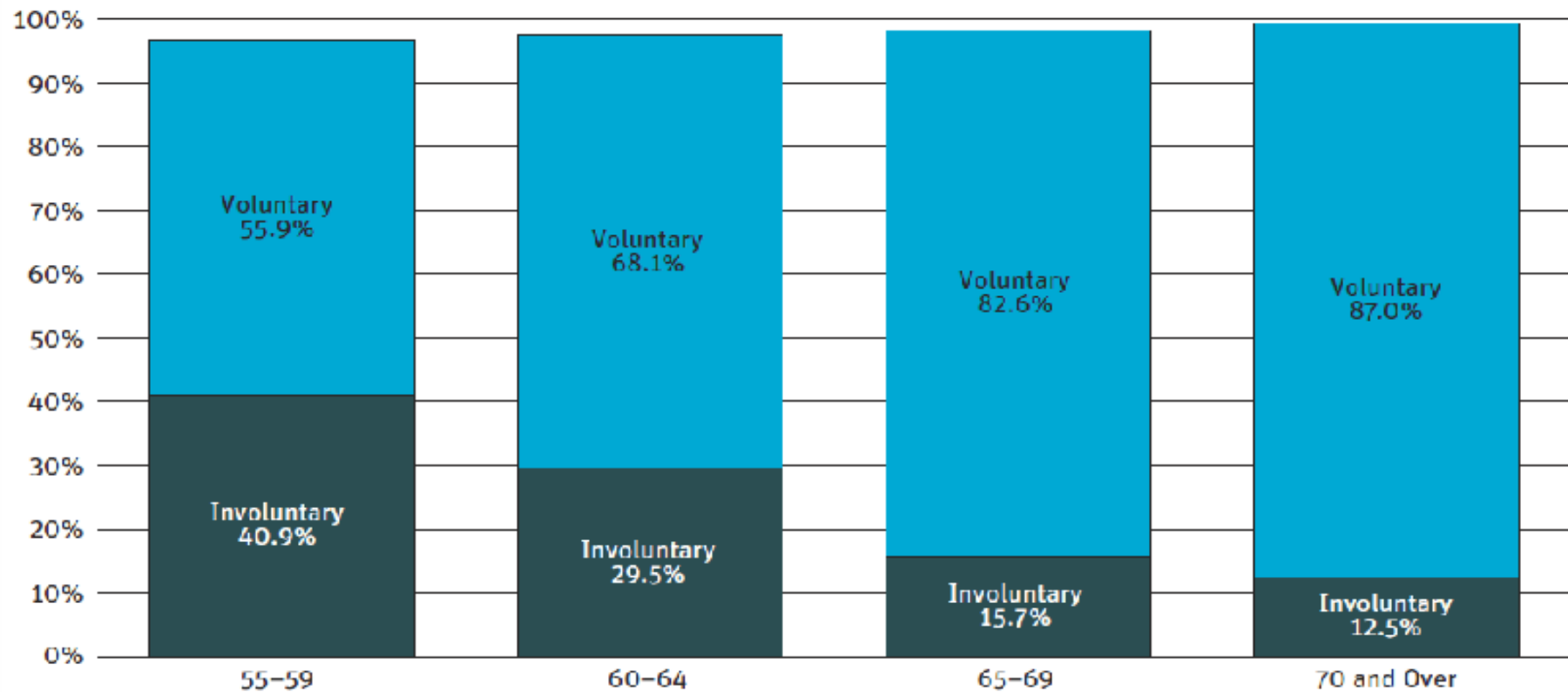
**FIGURE 2** Labour Force Participation Rates of Canadians Over 65



Source: Statistics Canada, Labour Force Survey

# Labour Force Statistics—2011

**FIGURE 3** Primary Reason for Working Part-time, Canada, 2011



Source: Statistics Canada, Labour Force Survey



# Employment Reality

1 in 4 persons aged 65 to 70 are still working—in 2000 it was 1 in 10

4 in 10 workers age 65 to 69 work part-time, compared to just 12% of so-called “core-age” workers (25 to 54)



25% of retirees list poor health as their reason for retiring

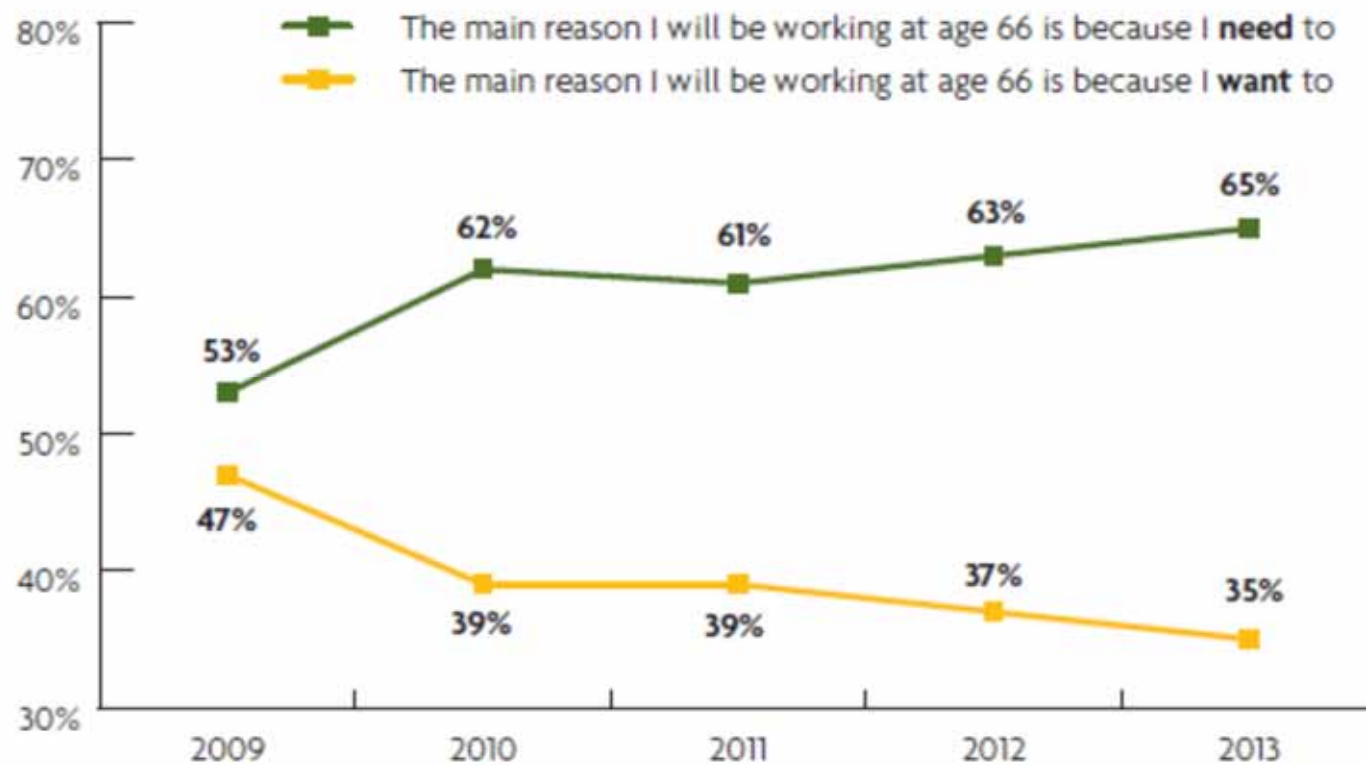
50% of workers over 55 have three or more chronic health conditions

Only 30% of retirees did so because they were financially ready

Source: Statistics Canada Labour Force Survey 2011

# Employment Reality

Which statement best describes your situation?



Source: 2014 Sun Life Canadian Unretirement™ Index. Base: Respondents who expect to be working at age 66.

# Employment Reality

## Employee WANTS

- Canadian employees want out of workforce as golden age approaches
- Many want to phase out

## Employer NEEDS

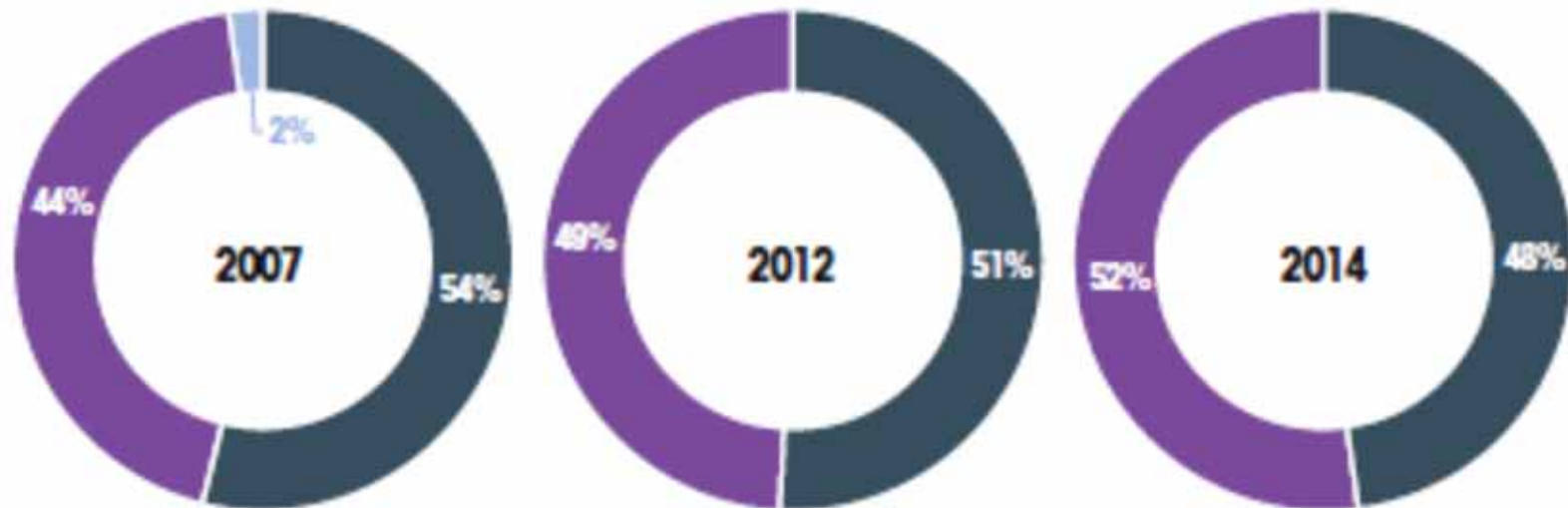
- To retain talent, employers will have to incent workforce to continue
- Benefits to 65+ will be preferable to labour shortages

The law allows employers to differentiate benefits based on pre and post 65 years of age

# Employment Reality

## Expectation of Continued Access to Employee Health Benefit Plan After Retirement

■ Yes ■ No ■ Unsure



BASE: All plan members (2007 n=1,529; 2012 n=1,757; 2014 n=1,502)

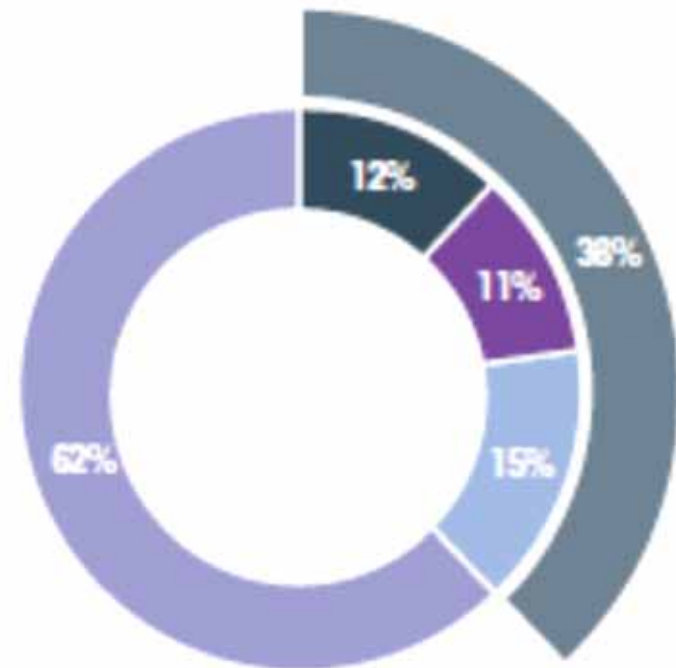
Source: The Sanofi Canada Healthcare Survey, 2014

# Employment Reality

## What Plan Sponsors Offer After Retirement

- 12% Employees can continue with current plan at a price
- 11% Employees can participate in a separate plan at a price
- 15% Employees are provided with contact information for plan provider if interested in purchasing a plan privately
- 62% No plan or contact information provided

BASE: All plan sponsors (n=500)



Source: The Sanofi Canada Healthcare Survey , 2014

# Current Environment

## Dilemma

- Mismatch between older employee needs and what is provided

## Considerations

- Will this change in future and how?
- Will government benefits change and how will the changes impact older Canadians?

# Current Environment—EHC

- Generally benefits are the same for all age groups
- Part-time employees may have lower or no coverage
- Needs may vary significantly post 65
- Medical needs increase with age
- Plan sponsor's cost are higher for ages 65+
- Provincial coverage more comprehensive for 65+

# Semi-Retiree Needs—EHC

- Extended Health Care (EHC)
  - Utilization increases with age
  - Type of care needed doesn't necessarily change
- Questions to be answered
  - Cost for many programs may increase dramatically
    - » Who will pay?
  - Benefit program segregation in rate and design
    - » Should benefits differ pre/post age 65?
  - What about phased retirement and part-time employees?



# Current Environment—Disability

- Sick leave programs remain the same
  - Utilization may increase, but type of coverage does not generally change
- Long-term disability generally ceases at 65
  - Risk of injury or sickness increases with age
  - Insurance companies may resist insuring disability post 65

# Semi-Retiree Needs—Disability

- Long-Term Disability
  - Theoretically if you become disabled after 65 you can just retire
  - If you had a “phased retirement plan”, should (or can you afford to have) your disability impact that plan?
- Questions that need to be answered
  - Should disability and retirement have a fixed age definition?

# Present Reality

- Canada has moved away from mandatory retirement
- Is age the key determinant of retirement?
- Defined contribution pension plans make it more difficult to retire at a predetermined age
- Basic Life and AD&D cease (or significantly reduce) at 65
- Optional insurance costs (if available) increase significantly post 65

# Emerging Strategies/Opportunities

- Some employers have increased termination age
- Some have added a minimum to duration of disability
  - E.g., disability coverage to age 65 or two years after the date of disability:
    - » If disabled at age 38, receives disability benefits to age 65
    - » If disabled at age 64, receives disability benefits to age 66
    - » If disabled at age 67, receives disability benefits to age 69
- At minimum disability should cover to pension eligibility age

# Emerging Strategies/Opportunities

- Optional group coverage may be best option for needed benefits, especially if basic coverage is reduced
- Cost effective Life, AD&D, LTC and Critical illness coverage may help employers retain and attract talent
- Need clear definition in contracts

# Key Takeaways

- Societal and cultural changes towards retirement will change the way sponsors provide benefits
- Current employment trends already show significant increase in the number of workers age 60—69
- Provincial programs continue to download cost to employers and individuals
- Costs for many sponsored programs are higher for post 65 employees
- Sponsored programs are permitted to provide different benefits based on age to better match needs of employees
- Bottom line—sponsors need to create options today to meet the needs of this new “in-between” demographic

# Citations

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Thank you!

Questions?