



Several Canadian provinces have recently passed legislation to end mandatory retirement (BC legislation comes into effect on January 1, 2008). As a result of this legislation, employers can no longer require employees to retire at a specific age. In order to assess how employers have prepared for the elimination of mandatory retirement and to identify the initiatives being implemented, Western Compensation & Benefits Consultants (WCBC) conducted an **e-pulse** online survey in October/November 2007.

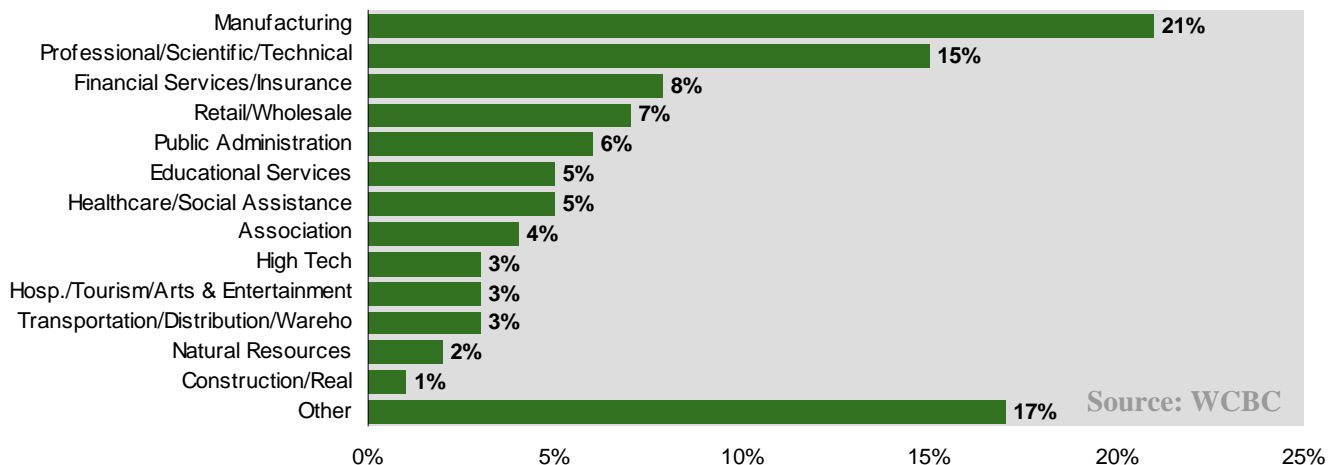
## EMPLOYER PROFILE

A total of 238 organizations with employees predominately located in British Columbia, Ontario and Alberta participated in the survey. The average survey organization has 1,200 full-time employees. Seventy-one percent of the employees are under 50 years of age, 22% are between the ages of 51 and 60, 6% are between the ages of 61 and 65 and 1% are over age 65. Sixty-seven percent of the organizations are from the private sector (45% privately-owned and 22% publicly-traded) while 21% are from the public sector and 12% are not-for-profit organizations. The business classifications of the survey organizations are shown below.

## HIGHLIGHTS OF FINDINGS

- ◆ Nearly one-half of the employers had a mandatory retirement policy and therefore are affected by the legislation.
- ◆ Of those organizations which previously required employees to retire, only 55% have fully prepared to respond to the legislation.
- ◆ The top three initiatives taken by employers to prepare were reviewing/identifying any changes required in the group benefit plans, reviewing retirement policies and practices, and analyzing the organization's employee demographics.
- ◆ Although the most common changes introduced by employers relate to group benefit and retirement plans, many employers have or will be introducing changes in performance management, collective agreements and employment contracts.
- ◆ Nearly four out of ten (37%) employers feel that elimination of mandatory retirement will assist their organizations with addressing skills and labour shortages.
- ◆ The majority of employers will continue a variety of benefit coverage for employees 65 and over, while some employers are also implementing modified work arrangements to retain older employees.

## Business Classification



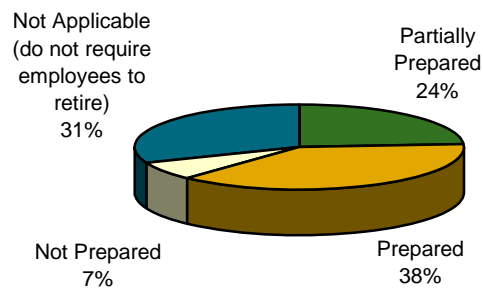


## PREPARING FOR THE LEGISLATION

Prior to the effective date of the legislation to end mandatory retirement, 45% of the organizations surveyed maintained a mandatory retirement policy whereby all employees were required to retire at the age of 65. Fifty-five percent of the participating organizations did not have a mandatory retirement policy.

Most employers are prepared or are in the process of preparing for the elimination of mandatory retirement prior to the effective date of the legislation. In addition, 37% feel that the elimination of mandatory retirement will assist their organizations with addressing skill and/or labour shortages for certain jobs.

### % of Organizations That Are Prepared For The Elimination of Mandatory Retirement



Source: WCBC

There are a number of initiatives that employers have taken in order to prepare for the elimination of mandatory retirement. The most common initiatives were a review of the employee benefits plans and a review of the retirement policies and practices. A summary of the initiatives is set out in the following table:

How Organizations Prepared For Mandatory Retirement	
Initiatives	% of Orgs.
Reviewed employee benefits plans to identify changes needed to accommodate employees over the age of 65.	64%
Reviewed retirement policies and practices to identify changes required in order to comply with the legislation.	50%
Reviewed and analyzed employee demographics to determine the impact this legislation will have on the organization.	44%
Reviewed employment contracts to identify changes required in order to comply with the legislation.	26%
Reviewed collective agreements to identify changes required in order to comply with the legislation.	26%
Communicated with employees concerning legislation to end mandatory retirement and its impact on employees.	24%
Researched and analyzed the impact this legislation will have on organizational costs.	19%
Reviewed performance management policies and practices to identify changes needed to accommodate an older workforce.	19%
Other	14%

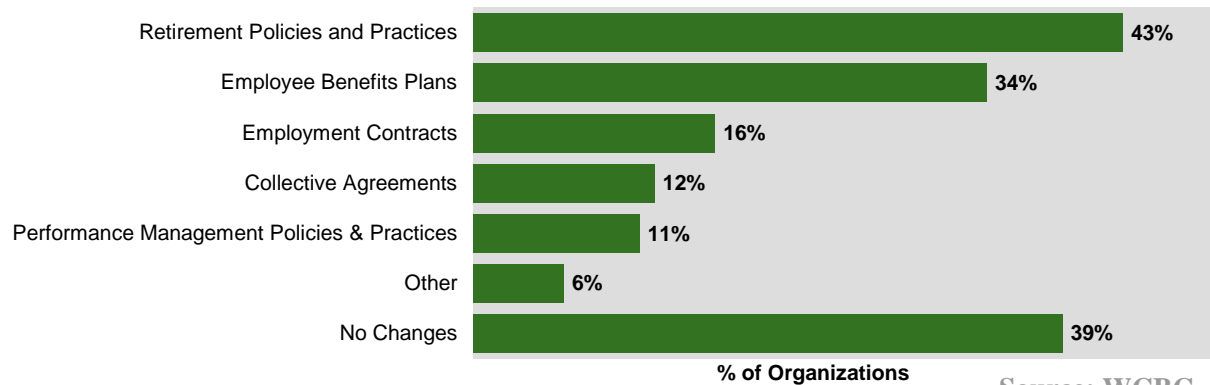
Source: WCBC



## CHANGES BEING MADE

After reviewing and analyzing existing documents, policies and practices, organizations are making changes or have already made changes. As indicated in the following graph, the most common changes made are in retirement policies and practices.

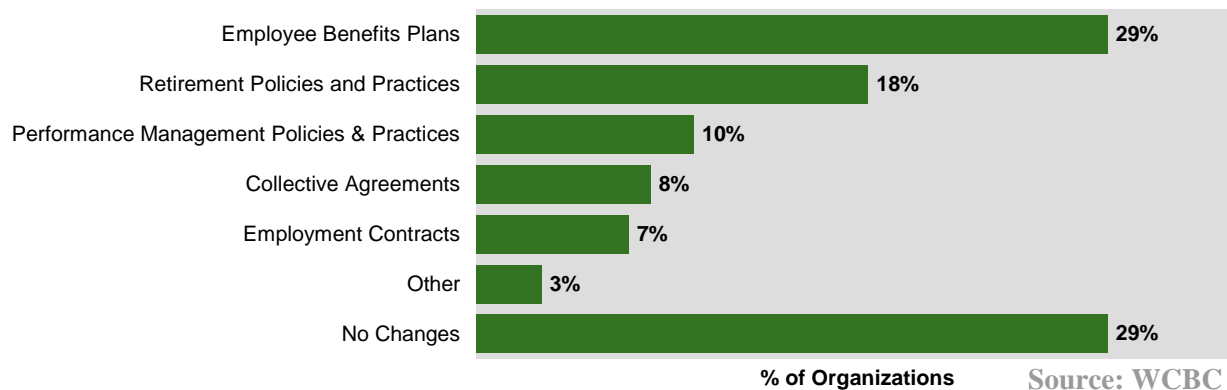
### Areas Where Changes Have Been Made



Source: WCBC

Organizations that have not made any changes anticipate making changes in the following areas:

### Areas Where Changes Will Be Made



Source: WCBC

With respect to retirement policies and practices, 43% of organizations removed all references to a specific retirement age, 3% implemented early retirement incentives mainly consisting of retirement allowances and 6% of organizations made other changes. Fifty percent of organizations indicated that they have not made any changes to their retirement policies and practices.

When asked if performance management policies and practices were or will be modified to ensure all employees (including older employees) are provided with a meaningful performance evaluation, 63% of organizations responded that no changes have or will be made. Eighteen percent of organizations have modified their performance management policies and practices with most organizations indicating that changes are being made which will affect not only older employees but their entire employee population. A further 18% of organizations do not have a formal performance management policy.

Most organizations (71%) have not revised their pay policies and practices to tie compensation more directly tied to performance. Of the 15% that have changed their pay practices, the majority indicated that the changes made are not a direct result of the legislation to end mandatory retirement but, instead, result from the need to improve and develop their pay and performance management policies for all employees.



## BENEFITS FOR EMPLOYEES AGE 65 AND OVER

The percentage of organizations which provided benefits to employees age 65 and older **prior to** the effective date of the legislation to end mandatory is summarized in the following table.

Benefit Plan	Provided To Employees 65+	Not Provided To Employees 65+	Not Applicable – Benefit Not Provided
Basic Life Insurance	51%	48%	1%
Accidental Death & Dismemberment Insurance	45%	52%	3%
Sick Leave/Short-Term Disability Insurance	37%	52%	11%
Long-Term Disability Insurance	15%	82%	3%
Extended Health Benefits	56%	43%	1%
Dental Plan	55%	43%	2%
Group RRSP	34%	41%	25%

Source: WCBC

Of the organizations that provide benefits to employees age 65 and older, the most common termination age for all benefits is age 70.

The percentage of organizations that are **planning to provide benefits** to employees age 65 and older as a result of the legislation is set out below:

Benefit Plan	Will Provide To Employees 65+	Will Not Provide To Employees 65+	Not Applicable – Benefit Not Provided	Policy Has Not Been Determined
Basic Life Insurance	60%	16%	1%	23%
Accidental Death & Dismemberment Insurance	55%	16%	4%	25%
Sick Leave/Short-Term Disability Insurance	53%	13%	12%	22%
Long-Term Disability Insurance	18%	48%	3%	31%
Extended Health Benefits	66%	9%	2%	23%
Dental Plan	67%	9%	2%	22%
Group RRSP	42%	8%	32%	18%

Source: WCBC

Although the percentage of organizations which will provide benefits to employees 65 and older has increased as a result of the legislation, almost one quarter have not yet decided what they will do with respect to benefits for those employees that continue to work beyond age 65. This percentage increases with respect to long-term disability because this benefit is typically not available past age 65. Organizations will have to negotiate with their long-term disability providers if they wish to continue long-term disability benefits after age 65.

The organizations which will provide benefits were asked if they will provide the same level of benefits or a reduced level of benefits to employees 65 and older. The majority of organizations advised that the same level of benefits will be provided, as summarized in the following table.

<b>Benefit Plan</b>	<b>Same Level of Benefits</b>	<b>Reduced level of Benefits</b>
Basic Life Insurance	58%	42%
Accidental Death & Dismemberment Insurance	71%	29%
Sick Leave/Short-Term Disability Insurance	92%	8%
Long-Term Disability Insurance	69%	31%
Extended Health Benefits	93%	7%
Dental Plan	94%	6%
Group RRSP	98%	2%

Source: WCBC

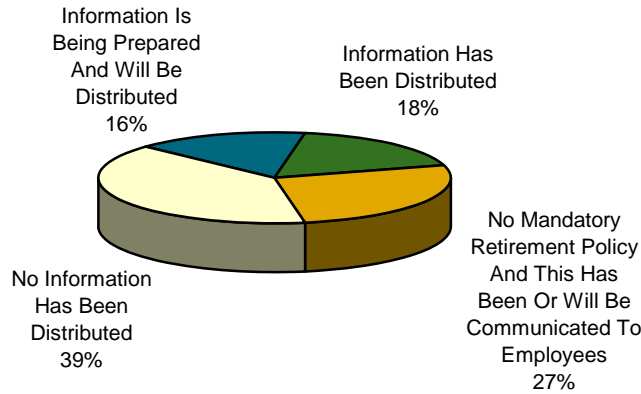
Of those organizations that provided information on the age at which benefits will terminate, age 70 was the most common age that the benefits would terminate for those organizations that provided a response.



## COMMUNICATING TO EMPLOYEES

Most organizations have provided or are in the process of providing information to employees on the legislation to eliminate mandatory retirement.

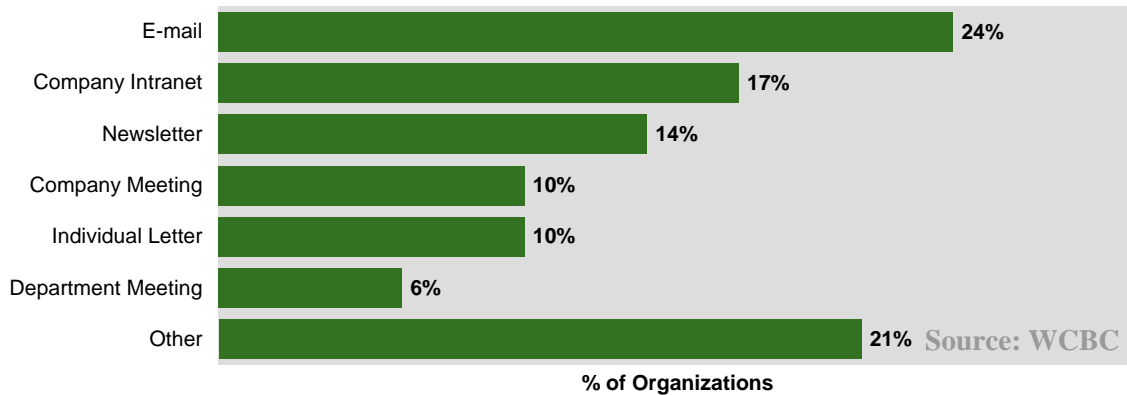
### % of Organizations Which Have Provided Employees with Information



Source: WCBC

Of those organizations which have provided information on the elimination of mandatory retirement, the most common form of communication is e-mail or the company intranet, as indicated below.

### Form of Communication Used to Provide Information on the Elimination of Mandatory Retirement



Source: WCBC

Other methods of communications used by organizations include one-on-one meetings with employees, discussion/meeting and/or letter to employees that are approaching age 65, policy manuals and bulletin boards.



## MODIFIED WORK ARRANGEMENTS

Although some organizations already had modified work arrangements in place, the elimination of mandatory retirement may result in organizations adopting modified work arrangements that may apply to all employees or just to older employees. The following table summarizes various types of modified work arrangements which organizations provided prior to the effective date of the legislation, as well as the modified work arrangements that organizations have implemented in order to retain older employees.

<b>Modified Work Arrangement</b>	<b>Available Prior to the Legislation</b>	<b>Implemented To Retain Older Employees</b>
Part-time employment	70%	21%
Contract employment	64%	17%
Flex-time options	4%	14%
Job-sharing	27%	10%
Telecommuting	30%	5%
Phased retirement options	18%	17%
Other	3%	3%

Other modified work arrangements included providing on-call opportunities for older employees that do not wish to retire but do not want to continue on as a full-time employee, or providing older employees with seasonal or short-term projects.

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