

> More Canadians will work into retirement

In an Investors Group survey, 58% said they plan to do some paid work in retirement. A December Ipsos Reid poll found that 3 out of 4 pre-retirees in Ontario believe they will work beyond retirement. From a different perspective, a number of stories in the past quarter cited the growing need for employers and governments to encourage workers to work past 65. The March 19th federal budget announcement to allow employees to contribute to RRSPs until age 71 is another step in this same direction. Consequently, retirement will be “smeared” over a number of years rather than a point-in-time and age 65 will continue to diminish in importance.

WHY PLAN SPONSORS SHOULD CARE

Most pension plans are not ready to handle an imminent shift in the behaviour of pre-retirees. Employers should start to strategize on how they can use their retirement plans to maximize the value of their human resources in the face of this emerging demographic phenomenon.

FOR MORE INFORMATION, PLEASE CLICK ON THE FOLLOWING LINKS:

[Eliminating Mandatory Retirement in Saskatchewan](#)
[Is the World Moving Towards Later Retirement Age?](#)

> Phased retirement becomes a reality

On a similar theme, retirement experts on both sides of the border have long talked about the need to facilitate phased retirement (which involves easing employees into retirement by allowing them to work part-time in the months or years leading up to retirement). The stumbling block has been the lack of enabling tax rules which would allow employees to receive part of their retirement income during this period. This has been rectified in the March 19th federal budget which announced that older employees will be allowed to receive a pension while continuing to work and accrue pension.

WHY PLAN SPONSORS SHOULD CARE

Quebec, Alberta and Manitoba already had provisions for phased retirement but they were difficult to implement. Now that the major tax hurdles have been removed, accommodating phased retirement could be one of the biggest human resource priorities in the next several years. We expect the other provinces will now follow suit with their own pension legislation recognizing phased retirement.

FOR MORE INFORMATION, PLEASE CLICK ON THE FOLLOWING LINK:

[2007 Federal Budget Announces Measures to Keep Up With Aging Workforce](#)

> Gap between public and private sector retirement plans is widening

The growing gap between public and private sector plans was the subject of a January paper by the Canadian Federation of Independent Business (CFIB). While it is increasingly common for private sector employers to sponsor capital accumulation plans that cost under 6% of pay, the current service cost in some public sector plans is now topping 20% of pay (and more again if one factors in contributions to pay off plan deficits).

WHY PLAN SPONSORS SHOULD CARE

If public sectors plans are even partly right about the need to put away more money for retirement, then private sector plan sponsors can eventually expect more pressure from their employees to improve their retirement arrangements. Public sector sponsors, so far have resisted paring back pension promises; they might eventually have to cut back though, given the growing clamour to impose controls on public sector costs.

> **Benefits are a bigger share of total compensation**

An Employee Benefits Research Institute (EBRI) study shows that 19.4% of the compensation paid by US employers is in the form of benefits (including pensions). By contrast, it was only 8% in 1960. It is expected that Canadian statistics would be similar.

WHY PLAN SPONSORS SHOULD CARE

It makes more sense for employers to communicate with their employees on a total compensation basis rather than just cash compensation. The better they can quantify and communicate total compensation, the more chance they have to control cash compensation increases as benefits costs rise.

> **UK Government adopts new basis for transfer values**

The UK has mandated that transfer values on a member's termination of employment be determined using a best estimate of the expected return rather than a discount rate based on a bond yield benchmark, which is the practice in Canada.

WHY PLAN SPONSORS SHOULD CARE

A best-estimate basis would produce lower transfer values than a bond yield basis and those values would also be less volatile. If Canadian jurisdictions followed suit – and mandated a best-estimate basis for transfer values payable on individual employee or plan termination – it would go a long way to alleviating the pension funding and accounting shocks that exist under the current regime.

> **Socially Responsible Investing (SRI) has arrived**

The concept of SRI is to consider environmental, social or moral criteria when selecting investments. Once on the periphery within the pension industry, the concept of SRI is entering the mainstream, especially with larger plans and public sector plans. A number of articles in the quarter underscored the growing acceptance of SRI for pension plan investments.

WHY PLAN SPONSORS SHOULD CARE

DB plan sponsors who have not already addressed SRI in their investment policy are encouraged to deal with the issue or at least to educate themselves on the concept. DC plan sponsors may face a faint risk of breach of fiduciary duty if the fund options available to participants do not meet SRI criteria.

FOR MORE INFORMATION, PLEASE CLICK ON THE FOLLOWING LINK:

[Socially Responsible Investment is Gathering Steam](#)

> **Sears, Goodyear, Fidelity and Fedex abandon DB**

In a continuation of an ongoing trend, more large US-based employers are moving to DC plans or cash balance plans for their salaried employees.

WHY PLAN SPONSORS SHOULD CARE

While the landscape is evolving, it would be appropriate if you have not yet done so to review your current retirement programs to ensure that they continue to be appropriate for your organization, in particular in the face of the recent move from DB plans to DC plans by several major companies.

> **Transparent Drug System for Patients Act**

The Transparent Drug System for Patients Act, Bill 102, came into effect October 1, 2006 amending the Drug Interchangeability and Dispensing Fee Act and the Ontario Drug Benefit Act. Subsequently, pricing controls contained in the Act were delayed until March 1, 2007.

Bill 102 expands the list of interchangeable drugs in Ontario, reduces the generic drug pricing, increases the dispensing fee under the Ontario Drug Benefit (ODB) program and reduces the drug ingredient cost markup.

WHY PLAN SPONSORS SHOULD CARE

While Ontario is predicting savings of \$277 million dollars in 2007, these changes are for the benefit of the provincial drug program and with the exception of private plans that top-up coverage to ODB recipients, most plan sponsors will not see savings.

FOR MORE INFORMATION, PLEASE CLICK ON THE FOLLOWING LINK:

[Ontario's Bill 102 Comes into Effect](#)

> **Increased prevalence of diabetes**

A recent report from the Canadian Institute for Health Information (CIHI) showed that the incidence of Type 2 Diabetes (linked to lifestyle and obesity) has more than tripled in the period 1995-2004. Similarly, a new Institute for Clinical Evaluative Science (ICES) study indicated that the prevalence of Diabetes in Ontario increased from 5.2% in 1995 to 8.8% in 2005. This increase far exceeds the World Health Organization's prediction of a 39% increase by 2030.

WHY PLAN SPONSORS SHOULD CARE

Diabetes is often preventable through lifestyle changes but if not corrected can lead to serious health consequences. Increasing incidence of diabetes will have a significant negative financial impact on all aspects of your benefit program including absenteeism, disability, and health/drug benefit claims. Employers can play a role in terms of encouraging healthier lifestyles.

> **Montreal General Hospital v. Syndicat des employés de l'Hôpital général de Montréal**

The Supreme Court of Canada ruled that the hospital satisfied its duty to accommodate a disabled employee before terminating her employment following the expiry of the three-year period of absence provided for in the collective agreement. The court concluded that the absence clause was not discriminatory in and of itself, but employers could not rely on it alone to satisfy the duty to accommodate. The employer also had to assess whether specific accommodation measures for individual employees were appropriate.

WHY PLAN SPONSORS SHOULD CARE

Employers who intend to apply a collective agreement clause providing for automatic termination for absence must give special consideration in the case of disabled employees as to whether their specific circumstances call for greater accommodation.

> **Federal budget includes new healthcare expenditures**

The March 19th federal budget included two items of particular interest to group insurance plan sponsors. The first of these initiatives is \$300 million in funding to the provinces and territories to establish a national vaccine program for the human papilloma virus (HPV), a leading cause of cervical cancer. The budget also committed \$612 million to the provinces and territories to help reduce hospital wait times.

WHY PLAN SPONSORS SHOULD CARE

Funding of these projects may lead to reduced costs for plan sponsors. Plans that currently pay for the HPV vaccine, which has an approximate treatment cost of \$550, will see some relief as the vaccine program becomes available. A reduction in wait times will also translate into reduced costs as disabled employees receive treatment sooner.