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ELIMINATION OF MANDATORY RETIREMENT

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, August 9, 2006, from the Commissioner of Corporate Services:

1. RECOMMENDATION

It is recommended that:

1. Long term disability (LTD) coverage should cease at age 65 and not form part of the benefits package provided for Regional employees who choose to work past age 65.

2. PURPOSE

The Commissioner of Corporate Services' initial report regarding the Elimination of Mandatory Retirement was reviewed at the Finance and Administration Committee meeting on June 8, 2006. At that meeting a further report was requested to provide more information to support the recommendation that LTD coverage cease at age 65. The purpose of this report is to substantiate the recommendation.

3. BACKGROUND

Bill 211 *Ending Mandatory Retirement Statute Law Amendment Act, 2005* received Royal Assent on December 12, 2005. A lead time of one year has been provided in the legislation to enable organizations to prepare for the change. Effective December 12, 2006 requiring staff to retire at age 65 will be unlawful. York Region does have a policy of mandatory retirement at age 65 for its staff. It will be necessary to change the current policy and procedures in order to conform with Bill 211.

Regional staff participated with the Regional and Large Municipalities Policy Group to identify issues that will result from the elimination of mandatory retirement and to investigate the impact the change in policy will have on our municipalities. This group also conducted research with municipalities in other jurisdictions in Canada (Alberta, Manitoba and the Federal Government) where mandatory retirement has not existed for many years, to gain insight from their experience with post-65 employees.

4. ANALYSIS AND OPTIONS

The above mentioned Regional and Large Municipalities Policy Group prepared a paper ***Elimination of Mandatory Retirement "Getting Ready"*** which addressed and made recommendations regarding all of the HR aspects that would be impacted by the elimination of mandatory retirement. The issue of employee benefits, and in particular long term disability benefits, constitute an important part of this paper. Following is an excerpt from the policy paper regarding the Long Term Disability Benefit:

"Generally the insurance industry does not provide LTD coverage in Ontario to employees over the age of 65. The public sector employers who responded to the survey (Edmonton, Calgary, Winnipeg and Canada Post), all provide some type of post-65 health and dental benefit coverage to employees; however, none provide long term disability coverage after age 65.

Recommendation

1. *That Municipalities do not offer LTD coverage to employees over 65."*

Neither Bill 211 nor the Ontario Employment Standards Act requires provision of any benefits at all for those employees who choose to continue working beyond age 65. Discussions with Sun Life have confirmed that they will not be amending any of their LTD contracts to extend the long term disability coverage beyond the age of 65.

In addition to all of the points set out above, perhaps the strongest logic in support of discontinuing LTD at age 65 is the fact that employees are entitled to other income protection when they reach age 65. Long term disability is a wage replacement benefit that protects the income of employees who, due to illness or injury, are unable to work. When an employee who is over age 65 is unable to work he has recourse to Canada Pension, Old Age Security and the OMERS pension. Therefore, the need for LTD no longer exists.

5. FINANCIAL IMPLICATIONS

Long Term Disability is the most expensive benefit in the benefits package provided for Regional employees. Consequently, it is very important that it be managed in a prudent fashion. Coverage for Long Term Disability (LTD) currently ends at age 65 for those employees who are on claim. This practice should continue not only for those on claim but also for post-65 workers who remain on the job. Although age 65 can no longer be a mandatory retirement age it should still be considered normal retirement age.

Presently there are forty-two (42) active LTD claims and the claim costs are $88,000 per month. Although York Region has a very effective claim management and return to work program, every claim does have the potential to run until the claimant reaches age 65 and transitions to retirement income. Should the Region extend the LTD benefit for post-65 workers, all of the existing claims would also be eligible to continue beyond age 65. This could result in a significant financial burden for the Region.

6. LOCAL MUNICIPAL IMPACT

Like the Region, most of the local municipalities are still in the planning stages regarding post-65 benefits; however, we are unaware of any of the municipalities who intend to extend their LTD benefit beyond age 65.

7. CONCLUSION

Insurance carriers do not intend to amend their current contracts to extend LTD benefits to post-65 workers. There is no requirement in law to provide any benefits including LTD to post-65 workers. Extending the LTD benefit beyond age 65 will impact the cost not only to provide the benefit for healthy workers but will extend the cost of existing claims. An employee who is age 65 or older and is unable to work has recourse to the OMERS pension, Canada Pension (CPP) and Old Age Security (OAS) and therefore does not need LTD for wage replacement. All of these reasons support the recommendation that LTD coverage should cease at age 65.

The Senior Management Group has reviewed this report.