

## Legislative News Release

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# Employee Pension Plans

*The aim of these news releases is to keep you up to date on the most recent legislative changes governing pension plans and various aspects of the way in which your retirement plan works. This initiative is part of Assumption Life's information and communications program for employers, pension committee members, and employees participating in your pension plan. This particular news release shares with you some current issues involving pension plans.*

*We encourage you to send copies of this news release to your employees.*

The current habits, lifestyles, and attitudes among baby boomers have put the traditional 'all play and no work' retirement mentality on the verge of extinction, says a study by Desjardins Financial Security. It found one in 10 of today's retirees continue to work and 54 per cent of workers aged 40 and older are planning a gradual retirement. When asked about their ideal retirement age, university-educated workers are more likely to envision working past age 65 – at least five years longer than the 'ideal' retirement age of other actively employed respondents.

### Wellness in Retirement<sup>1</sup>

While many Canadians realize they may not be able to retire as early as they like, few are preparing themselves to live an enjoyable life in retirement. Here are things employers can do to help their employees enjoy a healthy retirement.

According to a survey conducted across Canada, most Canadians stated age 58 as the desired age to retire. Ever heard of Freedom 58? How about Freedom 78? Canadians may be forced to retire later in life, simply because they won't be able to afford the alternative.

However, there are a couple of problems.

While it's true that many Canadians have been sold the dream of early retirement, the reality is that very few are taking the steps required to get there or to enjoy it once they are there. And for those who do, will they be healthy enough to enjoy all that they have saved for?

For most of us, our working lives revolve around day-to-day activities while trying to save enough for a peaceful retirement. In today's complex economic markets, most of us know we should be doing something more – but what? Research has shown that successful financial planning will help you reach your financial goals both before and in retirement. We call that 'Wealth Management'. But what about ...

### 'Health' Management?

Imagine a future where you are financially empowered to live the lifestyle you want, but you are too sick to enjoy it.

In the past, the common understanding of retirement was that you would retire at age 65 and live for about 10 years. We were trained to think that this was a time to do very little but put your feet up and relax. In many cases, this time was thought of as a time to recover – sometimes due to health problems accumulated during your working years.

However, this is no longer the case.

Anna Rappaport, an actuary and past president of the Society of Actuaries, says that "for a 65-year-old couple today, there is a 48 per cent chance that at

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least one person will survive to age 90 and a six per cent chance that one will live to 100". This reality is driving a new perception of retirement in Canada.

With a longer life expectancy, it is very possible that a high percentage of Canadians will support themselves during their retirement for nearly as long as they did during their working careers.

We need to be conscious of the fact that we are living longer, but are we really any healthier?

Statistics Canada's *National Population Health Survey* says retired seniors who are in higher income brackets report themselves to be in better health than those in lower income brackets. Health related risk factors during your working lives and into retirement cannot be ignored. The most common risk factors include:

- smoking
- heavy drinking
- obesity
- poor nutritional habits
- stress

It's clear that Canadians have been conditioned to know that we should save for our retirement – that the government may or may not be able to support us in our retirement years. Indeed, many Canadians have taken personal responsibility for their retirement income by diligently investing in their RRSPs, real estate, and other vehicles.

But, we also need to invest in our health.

Save systematically. Many savvy financial planners and investment companies are creating new ways for their clients to not only save systematically for their retirement, but also plan a healthier lifestyle so that they can enjoy their retirement as healthy as, or even healthier than, when they were working.

Consider nutrition counseling, a benefit often available, but seldom used within an employer-sponsored plan. When employees have access to nutritional education, they can make decisions today that will have an impact on their personal well-being decades from now.

How about smoking cessation? Some employers are offering stop-smoking plans, not just for their employees, but for their retirees as well.

By marrying a financial plan with a wellness plan, some companies are finding that they are better preparing their employees for retirement on a holistic basis. These employers know that both financial and personal health go hand in hand for a successful, long, and enjoyable retirement.

## RRSP Contributions Rise Again

The number of tax filers making contributions to registered retirement savings plans (RRSPs) and the amount contributed both increased for the third consecutive year in 2006, says Statistics Canada. Just under 6.2 million tax filers contributed to an RRSP in 2006, an increase of 60,000 or one per cent from 2005. Contributions rose 5.8 per cent from 2005 to \$32.4 billion, the highest amount ever reported.

Despite the record dollar amount, Canadians as a whole still have lots of unused contribution room. Only about seven per cent of the total room available to eligible tax filers was used last year, which is the same ratio as in 2005, Statistics Canada said.<sup>2</sup>

1. Benefits and Pensions Monitor, April 2006
2. CBC News, November 2007