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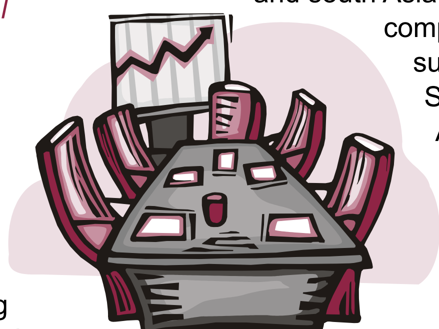
Retiring boomers will force wage and benefit increases

Have you hugged a baby boomer today? You'd better because, once boomers retire, employers everywhere may be faced with crippling labour shortages that will threaten the stability of the country's health care and social service systems, the Conference Board of Canada warns.



According to the Board's eighth annual survey of the state of the Canadian economy, the pending retirement of the baby boom generation, those born in the years between 1946 and 1964, will trigger massive labour shortages and a redesigning of work practices to encourage older workers to remain on the job.

The shortage is expected to begin in 2011, when the leading edge of the boom generation reaches age 65. The percentage of the Canadian population over the age of 65 is expected to increase from today's level of 13 per cent to over 20 per cent by 2025. The Board predicts that reduced work hours, flex time, improved wages and benefits, job sharing, telecommuting and consulting arrangements will become the norm as employers attempt to retain older workers and their knowledge base.

While Canada is expected to try to overcome the labour gap by increasing immigration from east and south Asia, it will have to compete with countries such as the United States, the UK, Australia and western Europe, all of which are also facing the baby boom shortfall, the Board report notes.

While the report paints a potentially rosy picture for workers and their labour representatives, the future may not be as straightforward as the Board's projections indicate. Already, it notes, women's working patterns have changed from those of the past with far more women in their 50s remaining in the labour force. *"Women are behaving quite differently from their mothers,"* the Board concedes.

Plus, the impact of technology and the market's ability to adapt quickly to prevailing social conditions may not have been fully assessed. The potential development of cheap, labour-saving technology could compensate for the loss of workers. ning birth rates, war, disasters or

This occurred in other points in history when declining birth rates, war, disasters or other events curtailed the availability of labour.

However, the Conference Board report does take into account the hard facts of mortality and morbidity, noting that illness incidence rates and medical costs increase substantially after age 65. Noting that hospital costs average $514 per capita for males between ages 45 and 54 and jump to over $2,409 per person between the ages of 65 to 74, then rise to over $8,600 per year after that, the Board projects that health care costs will rise by a minimum annual rate of 5.3 per cent between 2003 and 2020. Increased revenues will have to be found to accommodate the added strain an aging population will place on health care expenses, the Board says.

The strain will be relieved by 2045 when most of the baby boomers will be gone, the report notes.

More information on the study can be found at the Conference Board of Canada website at **www.conferenceboard.ca.**

Younger workers mean higher injury risk

Younger workers are far more likely to be injured on the job, the Institute for Work & Health reports.

According to the workplace health and safety research organization, injury rates among 15-to-24-year-old workers are almost double those of workers age 25 or more.

More accidents occur in the first month of employment, the Institute says, while those working in unskilled or manual jobs are more likely to be injured on the job. Increased safety education in the workplace, particularly during the first month of employment, is recommended.

The injury rates among 15-to-24-year-olds are listed below:

Province	**Injury rate/100 FTEs* age 15-24**	**Injury Rate/100 FTEs* 25+ year olds**
Atlantic	6.3	3.7
Quebec	6.9	3.8
Ontario	4.3	2.9
Manitoba	7.1	3.2
Saskatchewan	9.7	3.8
Alberta	6.2	4.1
British Columbia	6.3	3.5
Total	**5.8**	**3.5**

* Full-time equivalent (FTE) is equal to 2,000 hours of work.

Use of costly medical imaging technology soars

The number and use of medical imaging scanners such as MRIs and CT scans is soaring, the Canadian Institute for Health Information (CIHI) says.

According to the health information agency, 1.7 million Canadians, seven per cent of the population, receive the costly high-tech scans each year. MRI scans can cost as much as $750 for a simple image, easily surpassing the cost of X-rays.

The CIHI also reports that the number of CT and MRI scanners has increased dramatically over the past decade. Canada is now home to 147 MRI scanners compared to 30 a decade ago, and 326 CT scanners versus 216 in 1993. Almost 75 per cent of the machines, as well as related equipment such as nuclear medicine cameras, angiography suites and positron emission tomography scanners are less than five years old.

Despite these advances, Canada lags behind many other industrialized countries. Today, Canada has 10.3 CT scanners per million of population. That compares to 84.4 per million in Japan, 27.3 per million in South Korea and 19.6 per million in Italy. Canada also averages 4.7 MRI scanners per million people compared to 23.2 per million in Japan; 17.4 per million in the US; and 13.0 per million in Switzerland.

Save on dental costs: drink tap water

The growing thirst for bottled water may be increasing your dental costs.

Dentists across the country are reporting sharp increases in cavity rates among children. While the usual suspects, sugared pop and candy, are blamed for the increase, a new villain -- bottled water -- has joined the list of dental hazards.

According to recently published reports, the replacement of tap water, with its decay-fighting agent fluoride, is resulting in cavity rates among children that have not been seen in decades. The result: more dental claims; longer waiting lists for dental surgery; and increased costs.

Increased consumption of junk food and rising immigration from third world countries, where dental services are less available, are also blamed for the sharp jump in cavity rates.

The consumption of bottled water has increased 10 to 15 per cent annually since 1992. Canadians drink an average of 29 litres of bottled water per year.

Alberta allows access to locked-in retirement funds

The province of Alberta has amended its Employment Pension Plans Regulation to allow individuals to access locked-in pension funds in cases of financial hardship.

The new law, which was modelled on similar legislation enacted by Ontario in 2000, allows owners of registered retirement savings plans (RRSPs) established prior to 1987, as well as owners of locked-in retirement accounts (LIRAs), life income funds (LIFs) and locked-in retirement income fund (LRIFs) to access funds under the following circumstances:

- eviction;
- mortgage foreclosure;
- when they are required to pay first and last months' rent;
- to pay for uninsured health or dental expenses either for themselves or a spouse/partner;
- when their expected income will be less than $26,600, which is two-thirds of the current Yearly Maximum Pension Earnings (YMPE) of $39,900;
- to pay income tax arrears; or
- to cover any financial hardship that the province's superintendent of financial institutions deems sufficient to justify the accessing of the funds.

Pension plans continue to feel equity pinch

Sagging equity markets continue to place a strain on pension plans across the country, according to reports released by Statistics Canada.

In a September 15, 2003 release, the government information-gathering agency indicated that total pension assets in the country amounted to $518.2 billion as of March 31, down from $543.8 billion at the end of 2002. The first quarter total was over 15 per cent lower than the peak values reported in the third quarter of 2000 when reported pension assets totalled $614 billion.

Employer contributions also declined in that period, from $4.0 billion at the end of last year to $3.3 billion on March 31, 2003.

Trusteed pension plans continue to face cash flow pressure, StatsCan says. Pension plan expenditures at the first quarter of this year totalled $14.6 billion compared to revenues of $10.2 billion, a short-fall of $4.4 billion. Trusteed funds have not had a positive cash flow since the first quarter of 2002. The selling of devalued stocks in an effort to re-balance weakened pension portfolios is blamed for the mounting deficit.

Almost 5.5 million Canadians are members of pension plans. Of that, 3.5 million are members of trusteed plans.

GST rebates for trusteed multi-employer pensions

The Secretary of State for Financial Institutions has submitted a ways and means motion to amend the Excise Tax Act to allow trusteed multi-employer pension plans to apply for partial rebates of incurred GST/HST expenses.

Under existing legislation, a pension plan must satisfy the definition of a multi-employer plan under section 8500(a) of the Income Tax Act (ITA) to qualify for a rebate. The ITA definition excludes pension plans in which more than 95 per cent of plan members are employed by a related group of employers. Using the ITA definition for a regulation governed by the Excise Tax Act *"has an inadvertent effect of excluding trusts governed by related-employer pension plans from claiming the GST/HST rebate,"* a Ministry of Finance release says.

To correct the problem, the government proposes to change the Excise Tax Act's definition of multi-employer plans to include registered pension plans that have more than one participating employer. As a result, a trust governed by a related-employer pension plan would be eligible to claim the rebate.

Once the motion is passed, the rebate for multi-employer pension plan trusts will apply to GST/HST assessments payable after 1998.

New pension accounting rules on CICA fast-track

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) says it is fast-tracking its new pension rules to make them effective for the December 31, 2003 year-end.

When implemented, the new regulations will require the following:

- firms must disclose their expected pension contributions for the coming year and update that data through interim financial statements when changes are expected;
- companies must outline their plan's asset mix and the expected rate of return of each asset class;
- full disclosure of plan costs prior to actuarial smoothing (see February and September 2003 editions of the *Coughlin Courier* for background on actuarial smoothing);
- disclosure of the data used to calculate pension expenses;
- the schedule of a plan's actuarial reviews; and
- a description of the pension's indexing and other benefits and how they are determined.

BC completes review of disability claimants

British Columbia has completed its year-long review of disability claimants receiving provincial government assistance.

Of the 61,932 cases reviewed, 60,775 were considered eligible for social assistance, the government reported. A total of 400 people had their disability designation rescinded because they did not meet medical requirements or failed to return the relevant forms. Another 695 cases were terminated because their financial or family situation had changed.

The review of the disability designation file generated $8 million in savings, the province says.

Changes to SIN

Social Insurance Number (SIN) cards now have a new look.

Effective September 12, 2003, the following messages appear on the SIN card:

- *"This is not an identity card. However, it should be kept in a safe place.*
- *This card is not an authorization to work in Canada.*
- *If an expiry date appears on the front of this card, the SIN may not be used in Canada after that date."*

In the spring of this year, the government introduced 900-series SINs with expiry dates to workers who are neither Canadian residents nor permanent residents of the country but who need the SIN for employment purposes.

No expiry dates appear on cards issued to Canadian citizens or permanent residents.

PPN update

Bourget Pharmacy, located at 3 St. Pierre Street in Bourget, is now a member of the Coughlin Preferred Provider Network.

The **Jean Coutu Pharmacy**, located at 2701 St. Joseph Blvd. in Ottawa, is no longer a member of the Coughlin & Associates Ltd. PPN.

Fast facts

The City of Calgary is facing a home-grown pension crisis. According to the *Calgary Herald*, the city's pension plan faces a pension short-fall of $83 million. The city's plan is responsible for $156 million in pension payments, post-retirement benefits and related expenses but only has assets to meet $73 million in obligations. Taxpayers may have to make up the short-fall. Calgary's auditor blames the problem on a lack of formal pension governance structures and controls.

The province of Nova Scotia has introduced legislation to amend its Labour Standards Code to allow employees to take leaves of absence of up to eight weeks to care for family members facing life-threatening medical conditions. Employees must produce a medical certificate from the family member's doctor confirming that the family member faces a significant risk of death within 26 weeks. If passed, the proposed legislation will cover spouses, common-law partners, children and parents of eligible employees.

The rate of obesity among Canadian women has doubled over the past 15 years, according to reports published in the October 3 edition of the *Globe and Mail*. The incidence rate is even worse among men.

Only half of American workers are covered by health insurance through their employers compared to two-thirds a decade ago, the US Bureau of Labour Statistics reports. Soaring health insurance premiums, which have jumped 75 per cent over the past 10 years, are blamed for the enrolment decline.

Canadian life expectancy continues to increase, according to Statistics Canada. The average life expectancy is now 79.7 years, the government agency reports. A woman born in 2001 can now expect to live 82.2 years while a man can log 77.1 years.

The government of Newfoundland and Labrador has increased its maximum Low Income Seniors' Benefit from $300 to $350 for single individuals and from $600 to $700 for married seniors. The benefit is paid to those with family incomes of less than $14,400.

The Industrial Alliance Group will now market its products under the single brand name of *Industrial Alliance Insurance and Financial Services*. Until now, the company has marketed its group insurance products under the *Industrial Alliance* name in Quebec, *National Life* in Ontario and *Industrial Alliance Pacific* in western Canada.