Pensions

**Task One:** *Mark the stresses on the vocabulary below*

Actuary life expectancy pensions regulator

underestimate predictions reality check golden handshake

retirement longevity forecast (v) contributions

**Task Two:** *Mark the tone units (chunks) in the text below*

Now, how long will you live, or more bluntly, when will you die? As individuals, of course, we never know, but we do know that average life expectancy is growing. And actuaries now say that trend will continue indefinitely. Making a realistic estimate of life expectancy is essential, of course, for pension schemes. They promise to pay us a pension until we do die and this week the pensions regulator warns schemes that they were underestimating life expectancy. Charlie Massey is an executive director of the regulator. He told me why it was so crucial to get these predictions right.

*Massey:* It is the biggest single assumption that drives the cost of pensions, but it looks like in general the pension schemes have been underestimating the extent to which people are continuing to live longer.

And just put some numbers on it for me. Take someone of sixty five. How long do you think schemes should assume they will live?

*Massey:* Broadly speaking, you might expect a male pensioner retiring at 65 to live to about 89. When we did some analysis last year, we saw many schemes assuming that sixty-five-year-old men would live to an average of around 87 and we think that possibly a year and a half or two years longer than that might be more appropriate.

Isn’t there a danger, though, that by doing this you’ll overestimate it and that schemes will be setting aside too much money and that, of course, will push them further into difficulties.

*Massey:* I think it’s important to recognise that whatever assumptions schemes use are almost bound to turn out to be wrong. There are risks that if people overestimate the extent to which people are living longer, that could have a bad effect too. I think all we’re saying is that we want schemes to have a bit of a reality check against the latest data that is out there.

The suggestion I’ve seen, though, from actuaries is that every one year of increased life expectancy adds three or four percent to liabilities and some estimates say schemes’ liability could jump by £75 billion overall if they followed what you are suggesting.

*Massey:* We don’t recognise the £75 billion figure. In December we’d suggested that two years would increase liabilities by around 5%, so it’s more of that order.

Embedded Information

**A Pensions**

1. If you're working, you're usually building up the right to a basic state pension – and possibly an additional state pension – but these may not be enough to give you the standard of living you want.
2. While other vehicles (certain [lottery](http://en.wikipedia.org/wiki/Lottery) payouts, for example, or an [annuity](http://en.wikipedia.org/wiki/Annuity_%28financial_contracts%29)) may provide a similar stream of payments, the common use of the term *pension* is to describe the payments a person receives upon [retirement](http://en.wikipedia.org/wiki/Retirement).
3. By such an arrangement an employer (for example, a corporation, labor union or government agency) provides income to its employees after retirement.
4. In Britain, where most people don’t have a private pension scheme, the government wants to introduce a mandatory system.
5. The current problem - the fact that the population is ageing – will result in a crisis in the future.

**B News Examples**

1. The decision by the home secretary, Jacqui Smith, to declare that it is safe to send asylum seekers back to Iraq comes after more than 78 people have been killed in incidents across Iraq since last Sunday.
2. Speaking this morning, Chancellor Alistair Darling warned that the UK, like the rest of the world, was facing "an almost unprecedented period of turbulence.
3. Brown will challenge EU leaders to offer tax incentives to householders buying goods - fridges, freezers, televisions and other electrical appliances - which carry the highest eco-friendly rating for low energy consumption.
4. The person, who has not yet been identified, was arrested earlier today according to the lawyer acting for the mother of 15-year-old Scarlett Keeling.
5. The BBC said the system was still in its trial phase, known as "beta", and that it was already working to come up with a solution to the problem of hacking.
6. The government's key environmental adviser said the consultation process - which critics have already said is "fixed" in favour of a third runway - had not fully weighed up the potential impact on air quality for people living below the flight path and further afield.