

## Pensions ‘black hole’

A ‘black hole’ in the funds needed to pay employee pensions in the one hundred top UK companies has been identified.

1 Are you confident that your pension or savings scheme will cover your financial requirements when you retire? Discuss your answer with a partner.

2 Which of the following words does not collocate with *pension*? Check your answer in a dictionary, if necessary.

plan	scheme	book	money	fund
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3 Why do you think there is a pensions ‘black hole’? Can you suggest any solutions to the problem? Compare your ideas with those in the text.

### UK pensions deficit hits companies

A recent survey reveals that the pensions deficit shown on the company accounts of the one hundred top companies in the UK has more than doubled in the last year. This pensions ‘black hole’ now stands at £55 billion.

The companies at greatest risk are those with large pension schemes such as British Airways, ICI, and Rolls Royce, where much of the investment is in shares. Many such pension funds have been badly hit by stock market falls in recent years.

The root of the problem is that the pensions industry has to support higher numbers of pensioners for longer periods. Life expectancy has risen and, by 2050, the number of people over 60 in Europe will have doubled to 40% of the total population – 60% of

the working population. Many countries face similar problems in what is referred to as a ‘demographic time bomb’.

Some companies are axing a ‘final salary’ pension scheme, which guarantees the final value of the pension on retirement. These companies are switching to a ‘defined contribution’ pension plan where the employer guarantees only the amount of the contribution it pays. This can save the company money, but reduces the value of the employees’ benefits.

Some experts suggest that the only solution to the problem is for the government to raise the age of retirement to 70. The UK average age for retirement is 62 for men and 59 for women – higher than many other European countries. But when so many people look forward to taking early retirement, just how popular would such a move be?

4 Find words or phrases in the article which mean:

- a less money than there should be (paragraph 1)
- b danger in doing something (paragraph 2)
- c a situation waiting to explode (paragraph 3)
- d removing or stopping something (paragraph 4)
- e money paid into a fund (paragraph 4)

5 Discuss the following questions in small groups and report your ideas to the class.

- a What is the ideal age for retirement?
- b Should companies provide pension schemes for employees?
- c What effects will an increase in the ageing population have on society?