Pensions accounting trends
31 December 2025

Observed market practice on pensions accounting assumptions at 31 December 2025

This document sets out the market practice on pensions accounting assumptions at 31 December 2025 that PwC has observed, key market indicators and current pensions accounting developments.

Assumption	Assumptions at 31 December 2025			Assumptions at 31 December 2024			Sensitivity for £500m scheme (0.1% pa / 1yr)
	Optimistic	Median	Prudent	Optimistic	Median	Prudent	
Discount rate	5.9% pa	5.6% pa	5.3% pa	5.8% pa	5.5% pa	5.3% pa	c.£7m
RPI inflation	2.7% pa	2.9% pa	3.2% pa	2.9% pa	3.2% pa	3.5% pa	c.£5m
CPI inflation	2.1% pa	2.5% pa	2.8% pa	2.3% pa	2.7% pa	3.1% pa	c.£3m
Life expectancy (male @ 65)	20 years	22 years	24 years	20 years	21 years	24 years	c.£15m

Notes to the above:
1. *These ranges cover schemes of all commonly observed durations and do not represent PwC's internal acceptable ranges.*
2. *The sensitivity figures shown represent a typical scheme with liabilities of £500m.*
3. *The RPI inflation assumption sensitivity allows for an equivalent movement in the CPI inflation assumption.*
4. *The ranges of CPI inflation assumptions quoted reflect an average of pre- and post-2030 rates for a range of different schemes that we have observed in the market.*
5. *Life expectancies are specific to each scheme's population and should generally be set based on scheme-specific factors and analysis.*

Key market indicators	31 December 2025	30 September 2025	Change	31 December 2024	Change
FTSE All-Share Total Return Index	12,294.87	11,557.46	UP 6.4%	9,913.43	UP 24.0%
UK fixed interest gilt index (>15 years)	3,479.38	3,290.18	UP 5.8%	3,355.62	UP 3.7%
iBoxx AA corporate bond index yield (>15 years)	5.57% pa	5.82% pa	DOWN 0.25% pa	5.48% pa	UP 0.09% pa
RPI inflation (20-year spot rate)	3.21% pa	3.27% pa	DOWN 0.06% pa	3.46% pa	DOWN 0.25% pa

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Current pensions accounting developments

Market movements over the quarter

UK equities performed well for a fourth successive quarter, with the FTSE All-Share Total Return Index 6.4% up, which meant a return of 24% over 2025. Global equity markets have shown similarly strong returns over the year, reaching repeated all-time highs. Given some of this has been driven by a small number of large US technology companies, it has led to comparisons with similar periods in the past and raised questions about valuation sustainability. For pension schemes, the key issue is less about predicting a market peak and more about understanding funding progress and risk exposure.

UK government yields and high-quality corporate bond yields both fell by c. 0.25% p.a. over the quarter, meaning minimal change to implied credit spreads. This meant that bond yields were only marginally above the levels seen at the start of the year.

Long-term inflation expectations decreased by 5 to 10 basis points over the quarter, and are 25 to 40 basis points lower than at the start of the year. In both cases, the larger reductions are for the shorter terms.

With bond yields broadly stable over the year, inflation falling and equities continuing to rise, companies' pensions balance sheet positions are likely to remain strong, which is contributing to strong insurance market activity (see below).

UK inflation update

UK inflation declined over the quarter, with RPI and CPI inflation at 3.8% and 3.2% for November respectively (down from 4.5% and 3.8% in September), albeit remaining higher than at the start of the year. The Bank of England (BoE) expects CPI inflation to have peaked and anticipates it falling close to 3% early in 2026 before gradually returning to the 2% target during 2027. The Monetary Policy Committee (MPC) at the BoE narrowly voted to reduce the base interest rate from 4% to 3.75% at its December meeting.

Insurance market

The pensions insurance market remains busy, with the strong funding positions noted above meaning that many companies' schemes are entering into buy-in policies to secure members' benefits, then starting the process to move to buyout. This ultimately means that the obligation to pay members will fully transfer to the insurance company, with assets and liabilities removed from balance sheets.

However, the process can be complex and involved, as schemes need to go through a data cleanse and review the scheme benefits to ensure that they are in line with legal requirements and historical documentation. Seeking advice on the accounting treatment of such items is recommended. More generally, insurance transactions can have a large impact on balance sheets and so it is important to consider the appropriate accounting treatment before implementation.

Latest Budget and Pension Schemes Bill

The November Budget introduced relatively modest changes to pensions, with no immediate impact on pensions accounting. The most well-publicised change related to pensions salary sacrifice rules. In addition, the Government suggested that it will change the pensions tax legislation to permit a surplus to be used to provide members with one-off lump sum payments. This is as an extension of the Pension Scheme Bill announced by the UK Government on 5 June 2025. The Bill, expected to be effective in 2027, highlights measures to allow trustees to modify their scheme rules to more easily enable payment of surplus to employers.

PwC

With over 2,500 pension experts around the world and unrivalled expertise in audit and accounting, PwC is uniquely placed to help companies understand the impact of their pension arrangements on their financial statements.

PwC's market-leading online tool, Consolidate, enables companies to seamlessly consolidate their IFRS or US GAAP results, interrogate the results, test the impact of key economic changes, carry out projections, track the latest market movements and produce fully compliant downloadable disclosures at any date.

Contact us

Paul Allen
E: paul.s.allen@pwc.com
M: +44 7803 859 050

Astha Verma
E: astha.verma@pwc.com