

Pensions accounting trends

30 June 2025

Observed market practice on pensions accounting assumptions at 30 June 2025

This document sets out the market practice on pensions accounting assumptions at 30 June 2025 that PwC has observed, key market indicators and current pensions accounting developments.

Assumption	Assumptions at 30 June 2025			Assumptions at 30 June 2024			Sensitivity for £500m scheme (0.1% pa / 1yr)
	Optimistic	Median	Prudent	Optimistic	Median	Prudent	
Discount rate	5.9% pa	5.6% pa	5.4% pa	5.3% pa	5.2% pa	5.1% pa	c.£7m
RPI inflation	2.8% pa	3.0% pa	3.2% pa	3.0% pa	3.2% pa	3.5% pa	c.£5m
CPI inflation	2.2% pa	2.5% pa	2.8% pa	2.5% pa	2.7% pa	2.9% pa	c.£3m
Life expectancy (male @ 65)	20 years	21 years	23 years	20 years	22 years	23 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	30 June 2025	31 March 2025	Change	30 June 2024	Change
FTSE All-Share Total Return Index	10,814.59	10,360.19	UP 4.4%	9,728.85	UP 11.2%
UK fixed interest gilt index (>15 years)	3,370.73	3,325.71	UP 1.4%	3,520.79	DOWN 4.3%
iBoxx AA corporate bond index yield (>15 years)	5.60% pa	5.74% pa	DOWN 0.14% pa	5.13% pa	UP 0.47% pa
RPI inflation (20-year spot rate)	3.26% pa	3.41% pa	DOWN 0.15% pa	3.49% pa	DOWN 0.23% pa

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Current pensions accounting developments

Market movements over the quarter

UK equities continued their strong performance, despite falling sharply at the start of the quarter following further tariff announcements by the US president. The FTSE All-Share Total Return Index ended the quarter 4.4% up, meaning that UK equity returns for 2025 to date exceed 9%.

While UK bonds also showed early quarter sensitivity to the tariff announcements, UK government bond yields ended the quarter broadly flat. High-quality corporate bond yields fell by approximately 0.15% p.a. over the quarter, meaning that implied credit spreads narrowed by around 0.15% p.a. Long-term inflation expectations fell by approximately 0.15% p.a. over the quarter.

These market movements are unlikely to have materially changed balance sheet positions, with UK DB pension schemes continuing to show a significant surplus in aggregate.

UK inflation update

UK inflation jumped up in April with RPI and CPI rising to 4.5% and 3.5% (from 3.2% and 2.6% in March), before falling slightly to 4.3% and 3.4% in May. The April increase was largely driven by rises in utility bills. The Bank of England (BoE) cut the base rate by 0.25% to 4.25% in May (see the [Monetary Policy Report - May 2025](#)), citing “substantial progress on disinflation” as a reason for allowing a loosening of monetary policy.

Mortality update (“CMI 2024”)

The Continuous Mortality Investigation (CMI) [released](#) the CMI 2024 model on 30 June. The model has replaced the “w” parameter, which applied reduced weight to mortality experience from 2020 to 2023 to reflect the COVID-19 pandemic, with a new “half-life” parameter, which determines how quickly excess deaths observed at the start of the pandemic are assumed to “decay” over time. Moving from the core CMI 2023 model to the core CMI 2024 model is expected to increase the liabilities of a typical pension scheme by c.0.5%, with a larger impact at older ages. Given the substantial change in parameters, it may take companies time to form their view on the new model and so auditors are likely to consider it reasonable for 30 June 2025 reporters to retain the CMI 2023 model.

Government intervention in the Virgin Media case

The UK government has [announced](#) plans to introduce legislation to address issues arising from the Virgin Media judgment. Specifically, it intends to allow affected pension schemes to retrospectively obtain relevant actuarial confirmations that the past benefit amendments were valid. Although the timeline for finalising the legislation is unknown, this offers a potential path forward for companies that were previously unable to locate the required confirmations, enabling them to reassess their position. While this may make it easier for companies to conclude that no issues exist with historical benefit changes, they will ultimately still be required to demonstrate the validity of those changes and continue to disclose their position.

Pension Schemes Bill

On 5 June 2025, the UK government announced the Pension Schemes Bill. The bill, expected to be effective 2027, is yet to go through Parliament and highlights measures to allow trustees to modify their scheme rules to enable payment of surplus to the employer and scheme members. There are no immediate pensions accounting implications.

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