July 2026

Pensions accounting trends

Observed market practice on pensions accounting assumptions at 30 June 2026

This document sets out the market practice on pensions accounting assumptions at 30 June 2026 that PwC has observed, key market indicators and current pensions accounting developments.

Assumption	Assumptions at 30 June 2026			Assumptions at 30 June 2025			Sensitivity for £500m scheme (0.1% pa / 1yr)
	Optimistic	Median	Prudent	Optimistic	Median	Prudent	
Discount rate	6.2% pa	6.0% pa	5.6% pa	5.9% pa	5.6% pa	5.4% pa	c.£7m
RPI inflation	2.9% pa	3.0% pa	3.3% pa	2.8% pa	2.9% pa	3.2% pa	c.£5m
CPI inflation	2.3% pa	2.5% pa	2.9% pa	2.3% pa	2.5% pa	2.9% pa	c.£3m
Life expectancy (male @ 65)	20 years	22 years	24 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 2026	31 March 2026	Change	30 June 2025	Change
FTSE All-Share Total Return Index	13,182.36	12,591.50	↑ 4.7%	10,814.59	↑ 21.9%
UK fixed interest gilt index (>15 years)	3,414.02	3,337.69	↑ 2.3%	3,370.73	↑ 1.3%
iBoxx AA corporate bond index yield (>15 years)	6.03% pa	6.15% pa	↓ 0.12%	5.60% pa	↑ 0.43%
RPI inflation (20-year spot rate)	3.26% pa	3.54% pa	↓ 0.28%	3.26% pa	NO CHANGE

Current pensions accounting developments

Market movements over the quarter

UK equity prices were volatile during the second quarter of 2026 as the Middle East conflict contributed to uncertainty, with technology companies driving growth in global share prices. The FTSE All-Share Total Return Index was 4.7% up for the quarter and 21.9% up since 30 June 2025.

UK bond yields peaked in mid-May but ultimately ended the quarter around 5 to 10 basis points down, with credit spreads narrowing slightly and remaining at historically low levels despite the global and political uncertainty.

Long-term inflation expectations decreased by around 30 basis points over the quarter, with bigger decreases seen at shorter durations. Falling oil prices may have contributed to this drop.

Lower inflation expectations and higher equity prices should help to maintain companies' strong pensions balance sheet positions over the quarter, despite lower bond yields and narrower credit spreads. Insurer pricing is looking very competitive, which presents an opportunity for companies to investigate whether removing their schemes from the balance sheet is affordable.

UK inflation update

Actual RPI and CPI inflation fell, respectively, from 3.3% and 4.1% in March to 2.8% and 3.1% in May. The Monetary Policy Committee (MPC) at the Bank of England twice voted during the quarter, in April and June, to maintain the base interest rate at 3.75% (adding to two such decisions in the first quarter). The underlying voting is showing a gradual shift towards an increase in the base rate. The MPC noted from their latest meeting that, whilst inflation has fallen, there remains considerable uncertainty.

Pension Schemes Act 2026 (including a Virgin Media update)

The Pension Schemes Act 2026 received Royal Assent in May 2026, marking the formal enactment of the legislation. Key provisions of the Act include clearer requirements around trustees' investment duties, enhanced protections over the use of surplus assets, and measures to address issues following the Virgin Media v NTL Pension Trustees judgment.

On the latter, the legislation is effective immediately and therefore trustees can now proceed with resolving any outstanding issues through retrospective confirmation. Companies may therefore be asked by their auditors for an update on their position in light of this. The rest of the Act's provisions will be phased in over time, and companies are advised to monitor forthcoming regulatory updates to understand and manage the impact on their pension schemes.

Pension scheme surplus flexibilities

On 10 June 2026, the Department for Work and Pensions (DWP) launched a consultation on draft regulations to allow trustees of well-funded defined benefit schemes to release surplus to employers. The consultation closes in September and the new regime is expected to come into effect in April 2027.

As part of discussing the potential for a return of surplus to the employer, trustees may be looking to agree potential enhancements to members' benefits. Companies should be aware that improvements to members' benefits tend to lead to income statement charges and, depending their nature, surplus sharing agreements may trigger up-front recognition. It is recommended that accounting advice is sought if this is being considered.

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.

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