

Pensions accounting trends

31 March 2025

Observed market practice on pensions accounting assumptions at 31 March 2025

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

| Assumption | Assumptions at 31 March 2025 | | | Assumptions at 31 March 2024 | | | Sensitivity for £500m scheme (0.1% pa / 1yr) |
|-----------------------------|------------------------------|----------|----------|------------------------------|----------|----------|--|
| | Optimistic | Median | Prudent | Optimistic | Median | Prudent | |
| Discount rate | 6.0% pa | 5.8% pa | 5.6% pa | 5.1% pa | 4.8% pa | 4.7% pa | c.£7m |
| RPI inflation | 2.9% pa | 3.1% pa | 3.4% pa | 3.0% pa | 3.2% pa | 3.5% pa | c.£5m |
| CPI inflation | 2.2% pa | 2.7% pa | 3.0% pa | 2.3% pa | 2.8% pa | 3.1% pa | c.£3m |
| Life expectancy (male @ 65) | 20 years | 21 years | 23 years | 20 years | 21 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 | 31 March 2025 | 31 December 2024 | Change | 31 March 2024 | Change |
|---|---------------|------------------|---------------|---------------|---------------|
| FTSE All-Share Total Return Index | 10,360.19 | 9,913.43 | UP 4.5% | 9,379.30 | UP 10.5% |
| UK fixed interest gilt index (>15 years) | 3,325.71 | 3,355.62 | DOWN 0.9% | 3,621.20 | DOWN 8.2% |
| iBoxx AA corporate bond index yield (>15 years) | 5.74% pa | 5.48% pa | UP 0.26% pa | 4.80% pa | UP 0.94% pa |
| RPI inflation (20-year spot rate) | 3.41% pa | 3.46% pa | DOWN 0.05% pa | 3.52% pa | DOWN 0.11% pa |

Pensions accounting trends

31 March 2025

Current pensions accounting developments

Market movements over the quarter

UK equities rose over the quarter, on the back of stronger-than-expected performance by larger UK companies. Having been over 7.5% up in early March, the FTSE All-Share Total Return Index ended the quarter 4.5% up, with fears over tariffs having reduced the earlier gains. This was before the US President's "Liberation Day" announcement on 2 April led to large falls in global equity markets.

UK government and high-quality corporate bond yields both ended the quarter higher, up by approximately 0.15% p.a. and 0.25% p.a. respectively. Credit spreads therefore widened by around 0.10% p.a. over the period, perhaps reflecting concerns over the UK's economic outlook. Long-term inflation expectations fell slightly, by approximately 0.05% p.a. over the quarter.

These market movements are likely to have improved balance sheet positions, with UK DB pension schemes continuing to show a surplus, as [estimated](#) by PwC, although for schemes holding equities, this will have been affected by the significant falls in early April.

UK inflation update

UK inflation showed mixed but modest movements in early 2025, with RPI and CPI rising to 3.6% and 3.0% in January (from 3.5% and 2.5% in December), before falling to 3.4% and 2.8% in February. The Bank of England (BoE) cut the base rate by 0.25% to 4.5% in February - its third consecutive quarterly cut - citing progress in reducing inflationary pressure (see the [Monetary Policy Report - February 2025](#)). The BoE expects inflation to "rise temporarily this year", driven by energy costs and regulated price changes (e.g. water), before falling back towards the 2% target.

CMI 2024

The Continuous Mortality Investigation (CMI) plans to release the CMI 2024 model in the second quarter of 2025. The model is expected to replace the "w" parameters, which adjusted how much weight each year was given in the model (to reduce the impact the pandemic years had on its projections of future mortality rates), with a new parameter (expected to be called the "half-life" parameter) which determines how quickly the excess deaths observed during the pandemic are assumed to reduce over time.

The model will also better reflect how mortality rates have varied by age since the pandemic, with older-age groups' rates falling sharply to record lows but younger-age groups' rates remaining above pre-pandemic levels. Given that defined benefit pension schemes' members tend to be older than the national average, adopting the new model is likely to increase liabilities, all else being equal. Until the CMI 2024 model is released, the CMI 2023 model will continue to be the most commonly used by companies.

Virgin Media case

Since our [December 2024](#) update, the ICAEW has published [commentary](#) on auditor and accounting considerations relating to the judgment, whilst there was a written [statement](#) from the Pensions Minister confirming that the government is aware of the potential impact of the judgment and is actively considering its next steps. A recent court case, the outcome of which is not likely to be known until the summer, may also provide some guidance. However, given that there have been no substantial changes, we would not expect a change in auditors' positions, which has tended to focus on requiring the inclusion of narrative disclosure where proportionate.

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

M: +44 7803 859 050

E: paul.s.allen@pwc.com



Shazli Burki

M: +44 7802 659 441

E: shazli.burki@pwc.com



pwc

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2025 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.