Pensions accounting trends

31 March 2026

Observed market practice on pensions accounting assumptions at 31 March 2026

This document sets out the market practice on pensions accounting assumptions at 31 March 2026 that PwC has observed, key market indicators and current pensions accounting developments.

Assumption	Assumptions at 31 March 2026			Assumptions at 31 March 2025			Sensitivity for £500m scheme (0.1% pa / 1yr)
	Optimistic	Median	Prudent	Optimistic	Median	Prudent	
Discount rate	6.4% pa	6.1% pa	5.8% pa	6.0% pa	5.8% pa	5.5% pa	c.£7m
RPI inflation	3.2% pa	3.4% pa	3.7% pa	2.9% pa	3.2% pa	3.5% pa	c.£5m
CPI inflation	2.5% pa	2.9% pa	3.3% 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	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 2026	31 December 2025	Change	31 March 2025	Change
FTSE All-Share Total Return Index	12,591.50	12,294.87	UP 2.4%	10,360.19	UP 21.5%
UK fixed interest gilt index (>15 years)	3,337.69	3,479.38	DOWN 4.1%	3,325.71	UP 0.4%
iBoxx AA corporate bond index yield (>15 years)	6.15% pa	5.57% pa	UP 0.58% pa	5.74% pa	UP 0.41% pa
RPI inflation (20-year spot rate)	3.54% pa	3.21% pa	UP 0.33% pa	3.41% pa	UP 0.13% pa

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Current pensions accounting developments

Market movements over the quarter

UK equities continued to perform strongly over the first two months of the year (up by around 10%) but then fell back in March due to the situation in the Middle East, with global equity markets similarly affected. Nevertheless, the FTSE All-Share Total Return Index was 2.4% up for the quarter and 21.5% up since 31 March 2025.

Meanwhile, UK bond yields rose by more than 50 basis points over the three months, with corporate bond yields reaching levels last seen during the Liability Driven Investment (LDI) crisis in October 2022. Implied credit spreads widened by over 20 basis points.

Long-term inflation expectations increased by around 30 basis points over the quarter, with bigger increases seen at shorter durations, affected by rising oil and gas prices.

Higher bond yields and widening credit spreads are likely to have improved companies' pensions balance sheet positions over the quarter, with insurer pricing looking increasingly competitive. Given the volatility, it is important for companies to ensure that their schemes' investment strategy has been reviewed recently and remains appropriate, e.g. it hasn't drifted and is taking more risk than is necessary.

UK inflation update

Whilst long-term UK inflation expectations rose, actual RPI and CPI inflation fell, respectively, from 4.2% and 3.4% in December to 3.6% and 3.0% in February. The Bank of England's Monetary Policy Committee (MPC) voted to hold the base interest rate at 3.75%, narrowly at its February meeting and unanimously at its March meeting, with the latter being due to the situation in the Middle East and its potential impact on global energy prices.

Mortality update (CMI 2025)

The Continuous Mortality Investigation (CMI) released its latest annual mortality projections model (CMI 2025) in March 2026. This is a "business as usual" update, with no material changes to the model structure or core parameters compared to CMI 2024, and so is expected to be straightforward to implement.

Mortality rates over 2025 were, once again, the lowest on record. As a result, moving from CMI 2024 to CMI 2025 is expected, all else being equal, to increase life expectancies for a typical scheme by around 0.2 years and liabilities by around 0.5%, although the actual impact will depend on various factors. Given the timing of its release and the relatively small impact, 31 March reporters are not expected to uniformly move to the latest model.

Pension Schemes Bill

The Pension Schemes Bill is now in its final stages with Royal Assent expected later this year (perhaps in late spring), with many of the measures likely to come into force over a longer timeframe. A number of amendments have been proposed, including in relation to trustees' investment duties and the use of surplus assets. While some may be taken forward, others are considered less likely to be adopted. The legislation that deals with issues arising from the Virgin Media v NTL Pension Trustees judgment is expected to come into force immediately on the bill receiving Royal Assent.

Companies should continue to monitor developments and consider any potential implications for their pension schemes.

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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