



October 2026

Pensions accounting trends

Observed market practice on pensions accounting assumptions at 30 September 2026

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

Assumption	Assumptions at 30 September 2026			Assumptions at 30 September 2025			Sensitivity for £500m scheme (0.1% pa / 1yr)
	Optimistic	Median	Prudent	Optimistic	Median	Prudent	
Discount rate	6.7% pa	6.5% pa	6.3% pa	6.0% pa	5.8% pa	5.6% pa	c.£6m
RPI inflation	3.1% pa	3.2% pa	3.5% pa	2.9% pa	3.0% pa	3.3% pa	c.£4m
CPI inflation	2.6% pa	2.8% pa	3.1% pa	2.3% pa	2.6% pa	2.8% pa	c.£3m
Life expectancy (male @ 65)	20 years	22 years	24 years	20 years	22 years	24 years	c.£15m

Notes to the above:

- These ranges cover schemes of all commonly observed durations and do not represent PwC's internal acceptable ranges.
- The sensitivity figures shown represent a typical scheme with liabilities of £500m.
- The RPI inflation assumption sensitivity allows for an equivalent movement in the CPI inflation assumption.
- 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.
- 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 Sept 2026	30 June 2026	Change	30 Sept 2025	Change
FTSE All-Share Total Return Index	13,503.90	13,182.36	↑ 2.4%	11,557.46	↑ 16.8%
UK fixed interest gilt index (>15 years)	3,230.28	3,414.02	↓ -5.4%	3,290.18	↓ -1.8%
iBoxx AA corporate bond index yield (>15 years)	6.58% pa	6.03% pa	↑ 0.55% pa	5.82% pa	↑ 0.76% pa
RPI inflation (20-year spot rate)	3.48% pa	3.26% pa	↑ 0.22% pa	3.27% pa	↑ 0.21% pa



Current pensions accounting developments

Market updates during the quarter

UK equities continued to perform positively during the third quarter of 2026, despite ongoing geopolitical uncertainty and concerns around inflation and economic growth. The FTSE All-Share Total Return Index increased by 2.4% over the quarter, meaning it was almost 10% up for the year to date.

UK government and corporate bond yields came under upward pressure during the quarter, rising by over 50 basis points. This was in part due to persistent inflation concerns, higher energy prices and uncertainty surrounding the economic outlook.

Long-term inflation expectations continued to be influenced by developments in energy markets and geopolitical uncertainty, rising by over 20 basis points during the quarter.

Despite higher inflation expectations, higher bond yields and steady equity performance should continue to improve many companies' strong pensions balance sheet positions.

UK inflation update

UK inflation increased over the quarter, with annual RPI and CPI inflation reaching 3.4% and 3.1% respectively in August, compared with 3.0% and 2.6% in June. The increase was largely driven by higher energy and fuel prices, exacerbated by the ongoing conflict in the Middle East.

The Bank of England's Monetary Policy Committee (MPC) voted to maintain the base interest rate at 3.75% at its September meeting, although three members voted for an increase to 4.0%. The MPC highlighted the risk of further inflationary pressures from rising energy prices, with inflation expected to increase further over the coming months and remain above the 2% target for longer than previously anticipated.

Authorised member surplus payments

Draft legislation was published in July that will permit surplus assets in ongoing defined benefit schemes to be used to pay one-off lump sums to members and dependants from April 2027. The payments would be at the discretion of trustees and treated as pension income for tax purposes.

The legislation will only permit these payments and does not itself give trustees the power to make them, meaning scheme rules may need to be amended. The proposals provide companies and trustees with an additional option for sharing scheme surplus with members and may therefore form part of wider discussions around the use of surplus. Companies should make sure they are fully aware of the accounting implications of any surplus sharing agreements.

Proposed changes to pensions "triple lock"

At the Labour Party Conference in September, the Government announced plans to reform the State Pension "triple lock" from 2030. Under the proposals, annual increases would be based on the higher of CPI inflation and 2.5%, removing the existing link to earnings growth, with additional safeguards to maintain pension values relative to average earnings.

GMP conversion and fixed-rate revaluation

In September 2026, the Department for Work and Pensions (DWP) launched consultations on changes to simplify and clarify the Guaranteed Minimum Pension (GMP) conversion process and on retaining the current 3.25% p.a. fixed rate of GMP revaluation for members leaving pensionable service between April 2027 and April 2032. The proposed conversion changes could help schemes progress outstanding GMP equalisation exercises, and companies should monitor developments and consider any accounting implications for their schemes.



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