



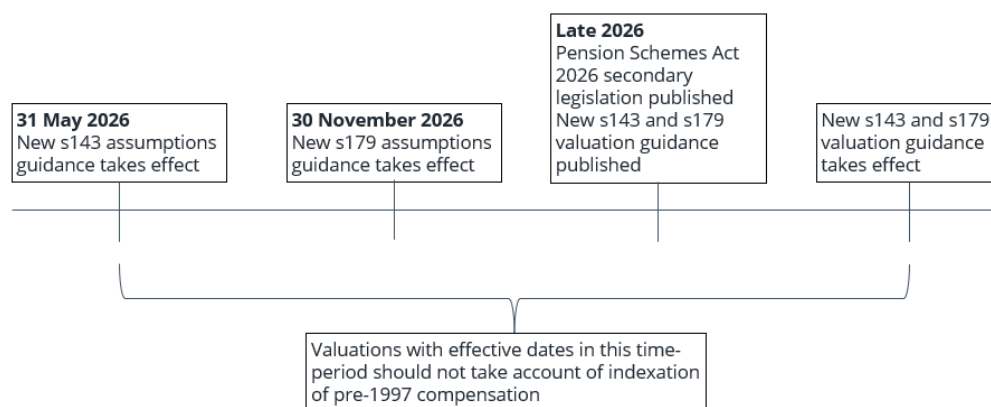
Response to consultation

Assumptions to be used for
valuations under section
143 and section 179 of the
Pensions Act 2004

October 2026

1 Introduction / summary

- 1.1 In July we published a consultation on changes to the actuarial assumptions required for valuations carried out under sections 143, 152, 156, 158 and 179 of the Pensions Act 2004. The consultation lasted seven weeks and there were seventeen responses, from the organisations listed in Appendix 1 to this document. We would like to thank all those who took the time to respond, as well as the six insurance companies who helped us shape the proposals.
- 1.2 Following consideration of the responses, we have decided to implement the proposed section 143 (s143) and section 179 (s179) assumptions¹. The new s143 assumptions will take effect from 31 May 2026. For s179 valuations, we have decided that the revised assumptions will instead apply to valuations with an effective date on or after 30 November 2026, reflecting concerns raised by respondents about retrospective implementation and valuations already in progress.
- 1.3 Following broad support from respondents, we will specify in the new s179 assumptions guidance that, for Pensions Regulator (TPR) assessed superfunds, s179 financial and mortality assumptions will be the s143 assumptions applicable at the effective date of the s179 valuation.
- 1.4 The updated assumptions guidance documents are now available on our website (version B12 for s143 and version A12 for s179). This document provides a summary of the responses that were given to the consultation.
- 1.5 We will publish updated valuation guidance documents later in the year, following the publication of secondary legislation to the Pension Schemes Act 2026. This guidance will specify the date from which s143 and s179 (and s152 and s156) valuations should include pre-1997 indexation of PPF compensation. This date will not be before the date this valuation guidance is published. We recognise that the new assumptions guidance references increasing pre-6 April 1997 compensation and will be effective before the requirement for pre-1997 indexation to be included in s143 and s179 valuations comes into force. Until this requirement comes into force, all pre-1997 compensation should be taken to be non-increasing in payment, and 'compensation increasing in payment' should not include pre-1997 compensation. We have also included relevant footnotes about this in the assumptions guidance. As a visual illustration:



¹ Throughout the document, we use 's143' to refer to the proposed approach to determine liabilities for sections 143, 152, 156, and 158, 's179' refers to the proposed approach to determine liabilities for section 179.

- 1.6 Many respondents mentioned the alternative covenant schemes (ACS) levy, the purpose and value of s179 valuations, the superfund wind-up trigger, and the indexation of pre-1997 PPF compensation. We are grateful that respondents took the opportunity to raise/reiterate concerns and suggestions around these. While they are clearly related to the s143 and s179 assumptions, they are beyond the particular scope of this consultation. The comments have been passed on to all relevant PPF teams and external stakeholders. The PPF continues to consider these issues and will communicate on them in appropriate alternative or upcoming publications and forums.

2 Overview of our decision

- 2.1 The consultation document contained a reminder of the ten principles that we have adopted for setting assumptions for s143 and s179 valuations². These are reproduced in Appendix 2 to this document.
- 2.2 The consultation also set out specific changes to the actuarial assumptions that we believed to be appropriate. The most significant changes were:
- a) To amend the discount rates used – increasing the margins above gilt yields,
 - b) To use the SAPS 'S4' Series mortality base tables, with appropriate adjustments,
 - c) To use the CMI_2024 mortality projections model, with appropriate parameters, and
 - d) For schemes that only provide a survivor pension to a legal spouse or civil partner, to amend the assumed proportion of members with such a spouse or partner.
- 2.3 There was general agreement among respondents that bulk annuity prices had altered sufficiently as to merit a change to the assumptions at the present time, specifically that lead to lower liability values. Most respondents considered the proposed financial and demographic assumptions to be reasonable and broadly consistent with current insurer pricing. On the whole, the responses were sufficiently supportive that we have decided to proceed with the proposals consulted upon.
- 2.4 The main area of concern raised by respondents related to the proposed implementation date. Many respondents commented that applying the revised s179 assumptions retrospectively to valuations with effective dates on or after 31 May 2026 could result in unnecessary re-work and additional costs. As a result, we have decided to introduce the revised s179 assumptions from 30 November 2026 while retaining 31 May 2026 for the new s143 assumptions.
- 2.5 In response to some requests raised, we'll add to the assumptions guidance clarity on the requirement to use core values of CMI_2024 parameters not otherwise specified.

² Valuations carried out under sections 152, 156, and 158 will also be affected.

3 Responses to the five specific questions raised in the consultation document

3.1 **Question 1: Do you agree that we should introduce the new s143 and s179 valuation guidance for valuations with an effective date on or after 31 May 2026? If not, what date(s) would be more appropriate?**

- 3.1.1 Many respondents raised concerns about the retrospective implementation of the revised s179 assumptions. A number argued that assumptions should only apply once final guidance has been published, while others suggested implementation dates ranging from 30 September 2026 to 1 January 2027.
- 3.1.2 There was significantly greater support for applying the revised s143 assumptions from 31 May 2026, reflecting the importance of ensuring that schemes entering PPF assessment are valued using a basis aligned with insurer pricing appropriate to the time they did so.
- 3.1.3 A small number of respondents expressed the same concerns for the s143 assumptions guidance date as for the s179 assumptions guidance date and/or requested clarification on the treatment of significantly progressed valuations with effective dates after 31 May 2026. One respondent raised the possibility of the new s143 assumptions applying to past valuation dates being optional. One respondent noted that s152 and s158 valuations could also be affected.

3.2 **Question 2: Do you believe that the proposed assumptions are appropriate? If not, which assumptions do you believe should be changed, and why?**

- 3.2.1 Respondents were generally supportive of the proposed assumptions, with most considering them broadly consistent with current bulk annuity pricing.

Discount rates

- 3.2.2 There was widespread agreement that the proposed increases to discount-rate margins were consistent with insurer pricing observed in recent months. A small number of respondents suggested that pricing for smaller schemes may be less attractive than implied by the standard basis and that the PPF could consider some form of size-related adjustment for s179 valuations (noting the ability to use a bespoke discount rate for this purpose for s143 valuations).
- 3.2.3 One respondent noted that insurers typically price liabilities with reference to swap rather than gilt yields and suggested that the assumptions could therefore be expressed relative to swaps. However, it also recognised that retaining gilt curves provides advantages in terms of availability, simplicity, and consistency.

Inflation rates

- 3.2.4 One respondent asked whether the volatility assumptions used for pension indexation under the s143 guidance had been, or would be, reviewed. Another reiterated the need to regularly review the inflation assumptions in light of the 2030 realignment of RPI with CPIH.

Mortality assumptions

- 3.2.5 The proposed moves to the SAPS S4 mortality base tables, with proposed adjustments, and the CMI_2024 mortality improvement model, with proposed parameterisation, were broadly supported. A number of respondents noted that CMI_2025 is now available and suggested that it could be adopted instead.
- 3.2.6 A small number of respondents requested clarification or suggested refinements regarding mortality scaling factors, pension-band adjustments, and the default mortality improvement parameters. One respondent noted that the relative ordering of the proposed female pension-band mortality rates reverses at older ages and suggested that a single rating factor across the pension bands might avoid this result.

Other demographic assumptions

- 3.2.7 The proposed changes to the proportion-married assumptions were also generally supported. One respondent suggested that, where scheme-specific marital status information is used for s143 valuations, schemes should also be permitted to use the actual age of the spouse or partner where this is known, and that any marital status information used should have been collected recently. Another respondent suggested that schemes could be encouraged to obtain actual marital status information rather than simply allowing its use where it is already available.

Expenses

- 3.2.8 A small number of respondents commented on the expense assumptions. One respondent queried why this assumption appeared not to have been reviewed and whether a separate review was planned. Another noted that the current assumptions may understate assessment-period expenses in some circumstances, although it did not consider an update pressing given the ability to use alternative assumptions where appropriate (for s143 valuations). A further respondent explicitly supported the decision not to update the s179 expense assumptions as part of this review.

3.3 Question 3: Do you believe that suggestion (a) is appropriate and helpful? If so, in what way is it helpful? If not, why not? Do you prefer suggestion (b)? If so, why? Do you foresee any other issues with the suggestions?

a) Do you believe it would be appropriate and helpful, for a superfund authorised by The Pensions Regulator, for the s179 discount rate, inflation, pension increase, and base mortality assumptions to be set in line with the standard s143 assumptions (i.e. full yield curves with specified adjustments, and the high, middle, and low versions of the mortality base tables depending on pension amounts)?

b) Alternatively, is there merit in allowing TPR-authorised superfunds the choice between the s179 and standard s143 financial or base mortality assumptions? Noting that such a choice would need appropriate conditions attached, such as the requirement to continue to apply the basis chosen and to apply it across all schemes in the back-book and future deals.

- 3.3.1 Respondents were largely supportive of the proposal relating to pensions superfund wind-up triggers.
- 3.3.2 Most respondents favoured suggestion (a) – alignment with the standard s143 assumptions – arguing that the trigger should be based on the most accurate available

estimate of insurer pricing and the assumptions should be consistent between different superfunds.

- 3.3.3 One respondent preferred suggestion (b), arguing that flexibility would provide a more proportionate approach and avoid the additional complexity associated with the s143 methodology. A small number of respondents saw merit in elements of both approaches.

3.4 Question 4: Do you foresee any undesirable consequences of our proposals?

- 3.4.1 A number of respondents highlighted possible unintended consequences arising from interactions with wider regulatory frameworks rather than from the assumptions themselves.
- 3.4.2 A small number of respondents highlighted the risk that, where insurer pricing is less attractive than implied by the standard basis, a scheme could appear sufficiently funded on the PPF basis but ultimately be unable to secure benefits with an insurer. Particularly for smaller schemes and where insurer pricing moves before the assumptions are updated.
- 3.4.3 Several respondents pointed out the impact on TPR's Fast Track assessment of our change to the proportion-married s179 assumption.

3.5 Question 5: Do you have comments on any other matter in this consultation document which are not included in responses to the questions above?

- 3.5.1 A small number of respondents also requested clarification or further guidance on the interaction of the changes with sections 152, 156, and 158 valuations and the treatment of pre-1997 compensation increases and associated transitional provisions.
- 3.5.2 Many respondents also raised a number of broader points concerning the role and value of s179 valuations and the interaction of the assumptions with other regulatory and policy frameworks.
- 3.5.3 One respondent questioned whether insurer pricing remains the most appropriate measure for s179 valuations and suggested considering whether a measure based on the anticipated long-term cost to the PPF might better reflect the purpose of the valuation. One respondent suggested that, as the superfund market develops, consideration could be given to whether superfund transfer pricing should inform future reviews alongside insurer pricing.
- 3.5.4 Respondents encouraged the PPF to continue reviewing assumptions regularly and to consider whether more frequent updates may be appropriate in periods of rapidly changing insurer pricing.

4 Our decisions in response to the consultation

4.1 We have decided to introduce the assumptions proposed in our consultation. This decision reflects the broad consensus among respondents that the proposed assumptions more closely reflect current bulk annuity pricing and continue to satisfy our objective of modestly understating liabilities relative to insurer pricing.

4.2 We will therefore:

- introduce the revised discount rates;
- adopt the SAPS S4 Series mortality tables with specified adjustments;
- adopt the CMI_2024 mortality projections model with specified parameter values;
- update the proportion of members assumed to have a legal spouse or civil partner; and
- retain the proposed implementation date of 31 May 2026 for s143 valuations; but
- introduce the revised assumptions for s179 valuations with an effective date on or after 30 November 2026.

The later implementation date for s179 valuations reflects concerns raised by respondents about applying the revised assumptions retrospectively to valuations that are already in progress. We believe this approach appropriately balances the benefits of moving to a more up-to-date basis against the potential re-work and additional costs for schemes. For s143 valuations, we would not anticipate that much, if any, work has commenced on such valuations with an effective date after 31 May 2026. We know, for instance, that none has started for any of the schemes that came into PPF assessment since that date. We therefore believe that using an effective date in the past will reflect insurer pricing at that time and cause very little, if any, disruption.

4.3 We will continue to monitor insurance pricing monthly and complete a formal review of the bases at least every six months through discussions with insurers, bringing proportionate and/or material changes out to consultation.

4.4 We will also specify in the new s179 assumptions guidance that, for TPR-assessed superfunds, s179 financial and mortality assumptions will be the s143 assumptions applicable at the effective date of the s179 valuation.

Suggestions raised by respondents

4.5 Respondents made a number of suggestions about possible refinements to the assumptions. We will continue to keep our approach under review, taking account of these suggestions and developments in insurer pricing, while ensuring any proposed changes are proportionate.

4.6 A small number of respondents suggested introducing a loading or separate assumptions for certain scheme sizes.

- a) For s179 valuations, we recognise the potential usefulness of this in determining the risk schemes pose to us and, where necessary, address this in our internal (non-levy) risk modelling.

- b) For s143 valuations, we allow a bespoke discount rate to be used where there is sufficient evidence to support this (expected for small schemes), intending to provide helpful flexibility without explicit and specific prescription.
 - c) Overall, we do not propose to prescribe different standard assumptions by scheme size. Pricing depends on a range of scheme and transaction characteristics, and the market for smaller scheme transactions continues to develop. Any prescribed adjustment could therefore become outdated relatively quickly. We recognise that previous concerns we've had about explicitly publishing what a small subset of insurers tell us about the definition and pricing of small schemes become less relevant as more insurers begin and continue to offer small-scheme buy-outs.
- 4.7 Some respondents commented on the s143 inflation and pension increase assumptions, including the volatility assumptions used for pension indexation and the distinction in the inflation assumptions before and after 1 March 2030. We will update the volatilities alongside the new s143 assumptions guidance, and we will continue to keep these assumptions under review both alongside developments in market pricing and through the regular internal monitoring we undertake as standard.
- 4.8 Some respondents suggested adopting CMI_2025 rather than CMI_2024. While we recognise that CMI_2025 is the latest available, adoption of new mortality projection models in insurer pricing can lag publication and CMI_2024 is more representative of insurer pricing at the time of our discussions with them, on which basis we have decided to retain that in our new assumptions.
- 4.9 Following a respondent's suggestion, we have amended the assumptions guidance to clarify that any CMI model parameters not otherwise specified, including the half-life parameter, should be set in line with the core parameters for CMI_2024.
- 4.10 Some respondents also commented on the proposed scaling factors and pension bands for the s143 mortality assumptions. In particular, one respondent pointed out some undesirable side effects on older-age female mortality. The scaling factors reflect the experience of private-sector schemes in the relevant dataset. The pension bands provide a proportionate means of reflecting differences in mortality by pension amount and have been adjusted in line with what some inflationary pension increases would have done over the period in question. We have therefore retained the scaling factors and pension bands proposed in the consultation. In the unlikely event that the simplification in the female mortality assumptions makes a difference to whether a scheme is over or under funded, we would be willing to discuss the use of a more detailed bespoke base mortality assumption.
- 4.11 While we thought it helpful to include a more prominent reminder of the ability to use scheme-specific marital status information for s143 valuations, particularly as insurers generally require it, we note it is otherwise not a change from our existing guidance. We further recognise that a bespoke assumption here likely wouldn't be necessary for an underfunded scheme unless it would change it to overfunded. We understand that overfunded schemes in PPF assessment approaching insurers for buy-out quotations would need up-to-date scheme-specific marital status information anyway. We also note here that, per existing guidance, for the other contingent benefit assumption – age difference between member and dependent – a bespoke assumption may be used for s143 valuations.

- 4.12 While we decided not to amend the standard expense assumptions from their existing values, we confirm we reviewed them as part of this update, including discussion of the benefit installation / payment expenses with the insurers we spoke to. Alternative expense assumptions may continue to be used for s143 valuations where there is sufficient evidence that the standard assumptions are inappropriate.

Other points raised in the consultation

- 4.13 Most respondents agreed that the standard s143 assumptions should be used for the superfund wind-up trigger calculations described in the consultation. Given this, we will include the prescription for TPR-approved superfunds to use – in the places specified – the s143 assumptions instead of the s179 assumptions, in our new s179 assumptions guidance (i.e. option (a) in our consultation and not the choice (b), which many respondents thought unnecessary). We note that one respondent expressed concern around the complexity this would add to the calculations, whereas other respondents felt this was proportionate given the assumptions were used in the wind-up trigger. Some respondents mentioned alignment with TPR, which we confirm we have, and the potential for transitional guidance, possibly including further industry consultation. We believe we have addressed this through our postponement of the new s179 assumptions effective date and clarification that pre-1997 indexation will not apply for s143 and s179 valuations until the date specified in our upcoming new valuation guidance.
- 4.14 A number of respondents raised concerns about the knock-on impact to the Fast Track basis, by amending the proportion married assumption within s179 valuations. The Fast Track requirements form part of TPR's framework rather than the PPF's. We have therefore passed the comments received to TPR and will continue to engage more generally with TPR on the interaction between the two frameworks.
- 4.15 A number of respondents raised concerns regarding the interaction between the s179 basis and the Alternative Covenant Scheme (ACS) levy framework. In particular, respondents noted that future changes relating to pre-1997 compensation increases could materially increase s179 liabilities, and therefore ACS levies, without necessarily increasing the underlying risk posed to the PPF. We acknowledge these concerns. However, the design of the ACS levy framework falls outside the scope of this consultation.
- 4.16 As mentioned in the introduction to this document, we confirm we will be updating the s152 and s156 valuation guidance alongside the s143 and s179 guidance later in the year. We will continue to not issue formal guidance for s158 valuations, owing to their relative rarity.
- 4.17 One respondent suggested that, as the superfund market develops, the PPF should consider whether superfund transfer pricing could also inform future reviews of the assumptions. The current assumptions are required in legislation to reflect the estimated cost of securing benefits through an annuity. We will nevertheless keep the relevance of wider market evidence under review as the superfund market develops.
- 4.18 Finally, several respondents suggested that more frequent reviews of the assumptions may be appropriate, particularly where there are material changes in insurer pricing or market conditions. We will continue to monitor pricing through our regular discussions with insurers and will carry out further reviews whenever we believe there has been a sufficiently material shift in the market.

5 Feedback on the consultation

- 5.1 We would value any feedback on the effectiveness of this consultation process. If you have any comments, please contact:

Unni Henry, Media Manager
Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon, Surrey
CR0 2NA
Email: unni.henry@ppf.co.uk

Appendix 1: list of respondents to the consultation

We would like to thank the following respondents for replying to our consultation and providing their insights:

Aon
The Association of Consulting Actuaries (ACA)
Broadstone
Clara-Pensions
Continuous Mortality Investigation (CMI)
Gallagher Benefit Services
Howden
Hymans Robertson LLP
Isio
LCP
Marsh (Mercer)
Pensions UK
PricewaterhouseCoopers LLP (PwC)
The Society of Pension Professionals (SPP)
Spence
TPT Retirement Solutions
WTW

Appendix 2: Policy principles around setting assumptions

The Board of the PPF has adopted the following ten principles to underlie the setting of assumptions for section 143, section 179 and similar valuations:

1. Compliance with the regulations. In particular, the assumptions are required to reflect insurance company buy-out pricing terms for PPF compensation.
2. Seeking evidence from confidential dialogue with market participants.
3. Seeking anecdotal evidence from consultants of the state of the market; a significant shift would indicate the need for a review of assumptions.
4. If the need for a review under principle 3 has not been invoked, nonetheless reviewing the market by speaking to market participants every year to eighteen months.
5. Proportionality (balancing the degree of precision with the cost, taking into account the purpose of the valuation).
6. Adoption of new tables and techniques as appropriate, having regard to the principle of proportionality.
7. Reasonable stability in the assumptions over time; i.e. frequent changes are undesirable.
8. Deliberately erring on the side of understating liabilities; i.e. assessing section 143 liabilities at a level that is believed for most schemes to be somewhat below the best market price.
9. Consulting with the pensions industry to check proposals.
10. Providing sufficient notification of changes.

These principles are not binding but the Board has made a commitment to follow them as far as possible.

