Pension Protection Fund

2026 consultation on assumptions to be used for valuations under section 143 and section 179 of the Pensions Act 2004

Contents

July 2026

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1. Introduction and summary

1.1. The Pensions Act 2004 requires valuations under sections 143, 152, 156, 158, and 179 of the Act to be calculated in line with our estimated price of securing PPF levels of compensation with a bulk annuity provider purchased at the best value rate available in the market. We regularly review our estimate to ensure it remains aligned with the market.

1.2. We are considering, subject to this consultation, making some updates to these assumptions so that they remain aligned with current bulk annuity market pricing. The main changes are:

a) To amend the discount rates used (increasing the margin above gilt yields),
b) To use the SAPS 'S4' Series mortality tables,
c) To use the CMI 2024 mortality projections model, and
d) For schemes which 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.

1.3. The guidance will also be updated to reflect the introduction of prospective increases on eligible pre-1997 PPF compensation primarily from January 2027, following the Pension Schemes Act 2026. This update does not form part of this assumptions consultation.

1.4. This consultation document sets out the proposed assumptions changes. The closing date for responses to the consultation is 5pm on Wednesday, 16 September 2026. The proposals are described in detail in section 3.

1.5. 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. Subject to the outcome of this consultation, we propose to introduce the revised assumptions for valuations with an effective date on or after 31 May 2026. Pension professionals and advisers should be aware that we intend to publish our decision on the assumptions to be used in the first half of October 2026.

Consultation question CQ1: 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?

2. Review process

2.1. We have adopted ten principles for the setting of assumptions for s143, s179, and other similar valuations. These are set out in appendix 2. Some of particular importance are:

- Principle 8 – the assumptions should deliberately err on the side of understating the liabilities.
- Principle 9 – they should be informed by regular meetings with market participants.

As well as:

- Principle 5 – proportionality (balancing the degree of precision with the cost, taking into account the purpose of the valuation).
- Principle 7 – reasonable stability in the assumptions over time; i.e. frequent changes are undesirable.

2.2. Erring on the side of understating liabilities means that for section 143 valuations we reduce the risk of taking schemes into the PPF that, as at the date of the employer's insolvency, could have bought out better benefits in the market.

2.3. We regularly review market changes and developments to ensure our assumptions remain appropriate. The current standard assumptions were set following a review of market pricing carried out in 2023, and the guidance was subsequently updated in 2024 to allow, in limited circumstances, for bespoke adjustments to the s143 discount rate.

2.4. As part of this review, we held discussions with six bulk annuity providers, and concluded that differences between our current assumptions and insurers' buy-out bases were significant enough that we should consider amending our assumptions.

2.5. The exact impact to an individual scheme will depend on its size and composition. In general, insurance company pricing is more competitive than our current bases, resulting in lower liabilities. This means that if we do not update our bases then we could in theory take into the PPF schemes that could otherwise secure slightly higher benefits for their members outside the PPF.

3. Proposed updates to s143 and s179 valuation assumptions

3.1. Our discussions with bulk annuity providers led us to conclude that market pricing has moved (decreased) since the last detailed review, and that changes to the standard assumptions should be considered. In this section we discuss the assumptions under three headings: financial, mortality, and proportions married.

3.2. The revised section 143 and section 179 assumptions are set out in full in appendix 3.

Financial assumptions

3.3. We believe that the discount rates should be increased by 20 basis points for pensioners and 30 basis points for deferred pensioners, reflecting more competitive pricing. For example, the section 143 proposed discount rates are the BoE nominal curve +60 basis points for pensioners and +30 basis points for deferred pensioners. This compares to the current s143 discount rates of the BoE nominal curve +40 / 0 basis points for pensioners / deferred pensioners.

3.4. These adjustments are proposed in order to align our basis with the pricing bases of bulk annuity providers.

Mortality assumptions

3.5. There is also evidence that longevity pricing has moved since the last review. We propose to take this opportunity to move to the latest available mortality tables and align our basis with the latest market practice.

3.6. We propose to adopt the Self-Administered Pension Scheme (SAPS) 'S4' mortality series of base tables, as published by the Continuous Mortality Investigation (CMI), part of the Institute and Faculty of Actuaries. Discussions with insurers indicated that the adoption of the latest tables, S4, was reasonable.

3.7. The data behind the S4 tables contains information from both private and public sector schemes. The CMI has published scaling factors that replicate what the S4 tables would look like if they were private sector only, and the results show that these differences are significant for women but not for men. As a result, we propose to apply these scaling factors for women in our S143 mortality base table assumptions. For S179, we have previously used the 'overall' mortality base tables, however, owing to the CMI's suggestion that for women, the 'medium' rather than 'overall' table could better reflect the private sector schemes in its dataset, we propose to adopt this table.

3.8. We also propose to adopt the CMI_2024 model for mortality improvements. The model has a number of parameters, and we propose to adopt the parameters set out in the revised assumptions guidance in appendix 3. These are largely the core parameters, except a value of 'A' (initial addition) of 0.25% p.a. The model also requires a long-term rate of mortality improvements to be specified. The current assumption is 1.5% p.a. for males and 1.25% p.a. for females. We believe that this should be changed to a 1.5% p.a. rate for both males and females.

3.9. We believe that these assumptions are within the range of assumptions currently being made by insurance and reinsurance companies and is line with our principle 6 – 'Adoption of new tables and techniques as appropriate…'.

Proportions married

3.10. We propose to amend the proportion married assumptions for schemes which only provide a survivor pension to a legal spouse or civil partner, reflecting the evidence considered as part of this review and current market practice. This involves a 5 per cent increase to the corresponding assumptions, narrowing the gap between them and the assumption for schemes which provide a survivor pension to 'any relevant partner'.

Expenses

3.11. We are not proposing changes to the expense assumptions as part of this review. Alternative expense assumptions may continue to be permitted for s143 valuations where there is sufficient evidence and where the relevant conditions in the valuation guidance are met.

Consultation Question CQ2: Do you believe that the proposed assumptions are appropriate? If not, which assumptions do you believe should be changed, and why?

Impact

3.12. Taken together, the assumption changes described above will reduce the value of s143 and s179 liabilities. Based on calculations as at 30 June 2026 (excluding indexation on pre-1997 PPF compensation) for a scheme of average maturity (here we have used a scheme that provides contingent benefits to legal spouses only), we estimate that the approximate impact would be as in the following table. The actual impact for a scheme will differ depending on the scheme's duration and membership profile.

Tranche of benefit	Pre-97	Post-97	Post-09	Total
Pensioner liabilities	-2.2%	-2.6%	n/a	-2.3%
Non-pensioner liabilities	-6.0%	-7.5%	-7.3%	-6.9%

4. Additional comments

4.1. The following suggestions do not form part of our new proposals, but we would be interested in market views for potential future consideration. These ideas are intended to recognise the wider use s179 valuations are put to, such as the superfund wind-up trigger.

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, medium, 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.

Consultation Question CQ3: 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?

5. Consultation questions

5.1. We would be grateful to receive responses to the following questions:

CQ1. Do you agree that we should introduce the new s143 valuation guidance for valuations with an effective date on or after 31 May 2026? If not, what date(s) would be more appropriate?

CQ2. Do you believe that the proposed assumptions (as set out in section 3 and appendix 3) are appropriate? If not, which assumptions do you believe should be changed, and why?

CQ3. Do you believe that the suggestion (a) in section 4 'Additional comments' is appropriate and helpful? If so, in what ways is it they helpful? If not, why not? Do you prefer suggestion (b)? If so, why? Do you foresee any other issues with the suggestions?

CQ4. Do you foresee any undesirable consequences of our proposals?

CQ5. Do you have comments on any other matter in this consultation document which are not included in responses to the questions above?

6. Process for responding

6.1. The consultation will end at 5pm on 16 September 2026. We would like to encourage responses earlier than the closing date, but please ensure that your response reaches us by then. For further copies of this document, see the Consultation documents section of our website: https://www.ppf.co.uk/

6.2. Respond to the consultation by emailing responses to:

AssumptionsConsultation@ppf.co.uk

or by contacting:

Aaron Pang, Acting Chief Actuary
Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon
CR0 2NA
Email: aaron.pang@ppf.co.uk

6.3. Please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

6.4. We will publish a summary of responses on our website at https://www.ppf.co.uk/ in October 2026. At the same time, we will also publish our decision about new assumptions for section 143 and section 179 valuations.

6.5. We would welcome feedback on the consultation process. If you have any comments, please contact:

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

6.6. The requirements of the Freedom of Information Act 2000 state that all information contained in the response, including personal information, may be subject to publication or disclosure. By providing personal information for the purpose of the public consultation exercise, it is understood that a respondent consents to its disclosure and publication. If this is not the case, the respondent should limit any personal information which is provided or remove it completely. If a respondent requests that the information given in response to the consultation be kept confidential, this will only be possible if it is consistent with the Freedom of Information Act 2000 obligations and general law on this issue. Further information about the Freedom of Information Act 2000 can be found on the website of the Ministry of Justice.

6.7. Our Privacy notice is available on our website.

Appendix 1: Valuations covered

1. A section 143 valuation is carried out during a PPF assessment period. The assets and liabilities for the section 143 valuation are established in accordance with section 143 of the Pensions Act 2004, the Pension Protection Fund (Valuation) Regulations 2005 (SI 2005 / 672), as amended, and guidance issued by the Board of the Pension Protection Fund (the Board). The valuation is carried out by an actuary appointed by the Board and the valuation is approved by the Board.
2. A section 152 valuation is carried out following an application for reconsideration under section 151 of the Pensions Act 2004.
3. Section 156 valuations must be carried out on a regular basis by a scheme that has been granted authorisation by the Board to run as a closed scheme having demonstrated that it was over 100 per cent funded at a section 143 valuation.
4. A section 158 valuation is carried out by a scheme that has been running as a closed scheme, following an application to commence a further assessment period under section 157 of the Pensions Act 2004.
5. Valuations carried out under section 152, 156 and 158 are required to be conducted on similar principles to a section 143 valuation. Legislation provides that protected liabilities are calculated as the estimated cost of securing scheme benefits, where scheme benefits are calculated in accordance with Schedule 7 of the Pensions Act 2004 (pension compensation provisions), to the member by means of an annuity purchased at the market rate.
6. The key purpose of these valuations is to assess whether a scheme has sufficient funds to buy out, in the market, levels of benefit at least equal to PPF compensation. For a large number of schemes this position will be relatively clear cut. This is a key consideration for keeping the assumptions used as simple as possible. Certain assumptions may be varied, upon request to the PPF, to take account of a scheme's specific circumstances. This is a further reason for maintaining simplicity in the standard assumptions.
7. Section 179 valuations are carried out on a regular basis by all schemes eligible for PPF protection and the results have traditionally been used in the calculation of PPF levies (not currently being charged to conventional schemes). They are also used to produce the PPF's Purple Book and 7800 Index publications, and for purposes internal to the PPF, such as our long-term risk modelling.
8. A section 179 valuation is in principle very similar to a section 143 valuation but contains simplifications. More complex valuation assumptions would tend to lead to more complex calculations, and hence higher costs associated with performing such calculations.

Appendix 2: Policy principles around setting assumptions

The Board of the Pension Protection Fund (the Board) 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 (see appendix 1). 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.

Appendix 3: Proposed revised s143 and s179 valuation assumptions guidance

s143

Valuation guidance

We will update the guidance for pre-1997 PPF compensation indexation and other routine updates. No other changes to the valuation guidance are anticipated as a result of the specific proposals in this consultation.

Assumptions guidance

Changes from the existing guidance (version B11, October 2024) are highlighted.

s143 Part 1 – Effective date of guidance

1.1 This is version B12 of the guidance. ~~It is generally the same as version B10, particularly the standard assumptions, but updates to some of the wording have been made. These updates aim to draw attention to those assumptions where, in some cases, alternatives may be used. This includes, for the first time, the discount rates.~~

1.2 This version of the guidance applies to valuations with an **effective date** on or after 31 May 2026.

1.3 This guidance should be read in conjunction with the most recent version of our *Guidance for undertaking the valuation in accordance with Section 143 of the Pensions Act 2004.*

s143 Part 2 – Overview

2.1 Introduction

2.1.1 The Pensions Act 2004 (the Act) sets out the conditions that must be met for the Pension Protection Fund to assume responsibility for a scheme.

2.1.2 In order for the Pension Protection Fund to assume responsibility for a scheme, the scheme must satisfy the following key criteria:

- the scheme must be a scheme which is **eligible** for the Pension Protection Fund;
- the scheme must not have commenced wind-up before 6 April 2005;
- an **insolvency event** must have occurred in relation to the scheme's employer which is a **qualifying insolvency event**;
- there must be no chance that the scheme can be rescued; and
- there must be insufficient assets in the scheme to secure benefits on wind-up that are at least equal to the compensation that the Pension Protection Fund would pay if it assumed responsibility for the scheme.

2.1.3 A valuation under **section 143** of the Act will determine whether the scheme has sufficient funds to pay at least the Pension Protection Fund levels of compensation as set out above.

2.1.4 This guidance must be read in conjunction with the most recent version of our '*Guidance for undertaking the valuation in accordance with Section 143 of the Pensions Act*'.

2.2 Purpose of this guidance

2.2.1 This guidance on assumptions is intended for actuaries undertaking valuations to determine the level of funding in accordance with **section 143** of the Act.

2.2.2 Our *Guidance for undertaking the valuation in accordance with Section 143 of the Pensions Act 2004* sets out those assumptions where actuaries may use alternatives to those set out in this assumptions guidance, including the circumstances that permit it.

2.3 Legislative requirements

2.3.1 Assumptions must be set in compliance with Regulation 6 of the Pension Protection Fund (Valuation) Regulations 2005, which provides that the estimated cost of securing scheme benefits is calculated in accordance with Schedule 7 of the Act (pension compensation provisions) to the member by means of an annuity purchased at the market rate at the relevant time.

2.4 Legislation or authority for actuarial valuations

The following lists key legislation that is relevant to section 143 valuations, but it is not intended to be comprehensive.

The Pensions Act 2004 (the Act), particularly section 143, section 162 and Schedule 7

The Pension Protection Fund (Valuation Regulations) 2005 SI 2005/672 ("the valuation regulations")

The Pension Protection Fund (Compensation) Regulations 2005 SI 2005/670

The Pension Protection Fund (Multi-employer Schemes) (Modification) Regulations 2005 SI 2005/441

~~Relevant compensation cap orders - these are updated annually~~

The Pensions Act 2008

The Pension Schemes Act 2026 and associated regulations

All legislation made under and/or modifying any of the above.

s143 Part 3 – Financial basis for use when undertaking valuations

3.1 Calculation of yields as at the effective date of valuation

Yields should be measured as at the close of business on the effective date of the valuation. For any dates where yields are not available the yields for the nearest preceding date should be used. Yields should be calculated to the nearest 0.01%. Expressions of the form (Yield Z - k%) should be calculated as an arithmetic difference and not a geometric difference. Yields should be annualised.

3.2 Discount rates

Separate yields are used for pensioners and for non-pensioners. The liability must be obtained by reference to the following (adjusted) yields.

Non-pensioners: Adjusted yield = Annualised BoE Nominal Yield + 0.3% p.a.
Pensioners: Adjusted yield = Annualised BoE Nominal Yield + ~~0.4%~~ 0.6% p.a.

The BoE Nominal Yield is the GLC Nominal daily forward rate provided at https://www.bankofengland.co.uk/statistics/yield-curves/. The yields are shown at six-monthly intervals up to 40 years. Only those shown for integer maturities should be used. For periods beyond 40 years, the 40-year forward rate should be adopted.

For valuations with an effective date on or after 31 May 2024, the adjustments to the BoE Nominal Yield may be permitted to be different to those shown above. Further details are available in the latest version of our *Guidance for undertaking the valuation in accordance with Section 143 of the Pensions Act 2004.*

3.3 Revaluation rates

Where compensation increases in deferment, the liability must be obtained by inflating compensation for the period of deferment in line with the adjusted inflation rate shown below, with the relevant cumulative caps on PPF revaluation being applied from the effective date where appropriate[1]:

Pre-1 March 2030: Adjusted inflation rate = Annualised BoE Inflation Rate – 0.2%

Post-28 February 2030: Adjusted inflation rate = Annualised BoE Inflation Rate – 0.1%

The BoE Inflation Rate is the GLC Inflation daily forward rate provided at https://www.bankofengland.co.uk/statistics/yield-curves/. The yields are shown at six-monthly maturities up to 40 years. Only those shown for integer maturities should be used. For periods beyond 40 years, the 40-year forward rate should be adopted.

If the rates are missing for any maturities, then the missing rates should be inferred from the rates that are available. For instance, at the moment there are no forward or spot rates for years 1 and

[1] i.e. 5 per cent per annum compound for pre-6 April 2009 compensation, and 2.5 per cent per annum compound for post-5 April 2009 compensation.

2. In this case, for years 1 and 2, the forward rate should be derived as follows (first annualising the rates):

$$\sqrt{\frac{(1+s_3)^3}{1+f_3}}-1$$

Where:

- s_3 = the GLC Inflation daily spot rate in year 3
- f_3 = the GLC Inflation daily forward rate in year 3

The resulting rate will be subject to the appropriate deduction (0.2% or 0.1%), as specified above.

Where compensation does not increase in deferment[2], revaluation should be nil.

For information, the adjustments to the BoE inflation rates are made up of the following components:

Component	**Pre-1 March 2030**	**Post-28 February 2030**
RPI/CPI wedge	-80bps	-10bps
IOTA – difference between swaps and gilts-based inflation	+40bps	-
Difference in Inflation Risk Premium between RPI and CPI markets	+20bps	-

3.4 Pension indexation rates

Non-increasing pre-6 April 1997 compensation should receive no increases in payment.

Increasing pre-6 April 1997 compensation, and post-5 April 1997 compensation, receives increases in payment in line with CPI subject to an annual cap of 2.5 per cent and a collar (minimum) of zero. We refer to this as LCPI(0,2.5). This assumption should be calculated for each future year (or "tenor") using the following formulae, which have been derived from the normal version of the Black 76 option pricing model (also known as the Bachelier model):

$$d_1 = \frac{S-K}{v\sqrt{T}}$$

$$C(K) = (S-K)\times N(d_1) + \frac{v\sqrt{T}}{\sqrt{2\pi}}e^{-d_1{}^2/2}$$

$$P(K) = (K-S)\times N(-d_1) + \frac{v\sqrt{T}}{\sqrt{2\pi}}e^{-d_1{}^2/2}$$

$$LCPI(0{,}2.5) = S + P(0\%) - C(2.5\%)$$

Where:

[2] This assumption only applies to schemes that do not provide for any revaluation of benefits for, or in respect of, any member. If one or more members receive revaluation on any part of their pension, then this assumption does not apply to that scheme.

- T is the tenor,
- S is the inflation rate for year T, to be expressed as a 1-year (annualised) forward rate and derived from the adjusted inflation rates described in section 3.3,
- v is the volatility of S, which we will publish on our website periodically at this location: https://www.ppf.co.uk/trustees-advisers/valuation-guidance, and
- $N(.)$ is the cumulative distribution function of a standard normal distribution.

s143 Part 4 – Mortality for use when undertaking valuations

~~The mortality baseline in respect of an active, deferred or pensioner member, pre and post retirement, shall be:~~

~~**Gender of first life**~~	~~**First life**~~	~~**Contingent life**~~
~~Men~~	~~S3PMA~~	~~S3DFA~~
~~Women~~	~~S3PFA_M~~	~~S3DMA~~

~~The mortality baseline in respect of a current dependant shall be S3DMA (men) and S3DFA (women).~~

The mortality table used for an active, deferred or pensioner member, pre and post retirement, should be based on an individual's pension size (before application of the ~~compensation cap and~~ 90% reduction) as follows:

Pension size[3]	**First life**	**Contingent life**
Males:		
< 7,500	S4PMA_H	S4DFA
>= 7,500 and < 30,500	S4PMA_M	S4DFA
>= 30,500	S4PMA_L	S4DFA
Females:		
< 1,500	104% of S4PFA_H	S4DMA
>= 1,500 and < 12,500	106% of S4PFA_M	S4DMA
>= 12,500	109% of S4PFA_L	S4DMA

[*Note for this consultation but will not be included in the final guidance documents:* we have increased the pension size bands from those published by the CMI – 5,500 / 22,000 for men and 1,000 / 9,000 for women – between their effective date of January 2017 and May 2026, at a rate of

[3] For non-pensioners include revaluation to the relevant time only, where appropriate, and include the pension equivalent of any lump sum entitlement by assuming the annualised value of a lump sum factors = 1 / PPF commutation factors, which are available on the PPF website.

3.5 per cent p.a. We have chosen this rate as a broad balance between capped and uncapped inflationary-linked pension increases and deferred revaluation over the period.]

The mortality baseline in respect of a current dependant shall be S4DMA (men) and S4DFA (women).

Base mortality may be permitted to be different to that shown above. Further details are available in the latest version of our *Guidance for undertaking the valuation in accordance with Section 143 of the Pensions Act 2004.*

Future changes to mortality in line with
CMI_2024_M [1.50%; A=0.25%~~; w2020=10%; w2021=10%~~] and
CMI_2024_F [1.50%; A=0.25%~~; w2020=10%; w2021=10%~~] for men and women, respectively (from 2017).

These mortality tables are published by the Continuous Mortality Investigation. For each individual, the set of mortality rates used shall be those applicable to that individual's year of birth.

s143 Part 5 – Other assumptions for use when undertaking valuations

5.1 Assumptions for contingent benefits

a) Proportions married

Where the scheme provides for survivor pensions:

For pensioners

Where the scheme makes provision (including discretionary provision) for survivor pensions for 'relevant partners' an assumption consistent with 85% (males) or 75% (females) at normal pension age.

Where the scheme only makes provision for survivor pensions for a legal spouse or civil partner, an assumption consistent with 80% (males) or 70% (females) at normal pension age.

Using a proportion married assumption consistent with 85% / 80% (males) or 75% / 70% (females) at normal pension age may require mortality rates for calendar years before 2017 for a "strictly correct" calculation of the proportion married assumption to apply for older pensioners. In such circumstances prudent assumptions should be used.

For non-pensioners

Where the scheme makes provision (including discretionary provision) for survivor pensions for 'relevant partners' the assumption must be, at the assumed date of retirement or earlier death, 85% (males) or 75% (females).

Where the scheme only makes provision for survivor pensions for a legal spouse or civil partner, the assumption must be, at the assumed date of retirement or earlier death, 80% (males) or 70% (females).

A **'relevant partner'** is as defined in SI 2005/670, being a person of either sex who was not married to, or in a civil partnership with, the member and who was living with the member as if that person and the member were husband and wife or, in the case of two adults of the same sex, as if they were civil partners. For the purpose of the above, two adults of the same sex are to be regarded as living together as civil partners if they would be regarded as living together as husband and wife were they instead two adults of opposite sex. Schemes that were formerly contracted-out on a protected rights basis may be required to pay a survivor's pension to a wider category than just the legal spouse.

If actual proportion married data exists for members of the scheme, or there is appetite to obtain it, e.g. through a tracing exercise, this may be used instead of the above assumptions.

b) Age difference between member and dependant

Females are assumed to be 3 years younger than males.

c) Children's pensions

No specific additional allowance is to be included for prospective children's pensions. Children's pensions already in payment should be assumed to cease at age 18, or age 23 if currently aged over 17.

Assumptions for contingent benefits may be permitted to be different to those shown above. Further details are available in the latest version of our *Guidance for undertaking the valuation in accordance with Section 143 of the Pensions Act 2004.*

5.2 Expenses

This calculation of expenses is intended to give an estimate of the cost of securing a full buyout with an insurance company. The expenses must be applied whatever the investment strategy of the scheme and, in particular, even if all scheme benefits are secured by immediate and deferred annuity policies.

a) Estimated wind-up expenses

5% of liabilities (excluding benefit installation / payment expenses) up to £4 million, plus

1.5% of liabilities (excluding benefit installation / payment expenses) between £4 million and £20 million, plus

0.8% of liabilities (excluding benefit installation / payment expenses) between £20 million and £340 million.

The estimated wind-up expenses will be no more than £3 million for a scheme.

b) Benefit installation / payment expenses

Non-pensioners

An allowance of £750 per member should be made.

Pensioners

An age-related allowance per member should be made, according to the table below:

Age	Expense allowance per member £
< 60	650
60 – 70	550
70 – 80	500
80 +	400

If a member has two or more records, e.g. a pension and a deferred pension, then only one expense allowance (the highest) should be calculated.

Assumptions for expenses of wind-up and/or benefit installation / payment expenses may be permitted to be different to those shown above. Further details are available in the latest version of our *Guidance for undertaking the valuation in accordance with Section 143 of the Pensions Act 2004.*

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s179

Valuation guidance

We will update the guidance for pre-1997 PPF compensation indexation and other routine updates. No other changes to the valuation guidance are anticipated as a result of the specific proposals in this consultation.

Assumptions guidance

Changes from the existing guidance (version A11, October 2024) are highlighted. We would also update the effective date and version number in part 1 but have not set that out below.

s179 Part 2 – Overview

2.1 Introduction

Section 179 of the Pensions Act 2004 ("the Act") requires every eligible scheme to undertake a Pension Protection Fund valuation to establish the level of the scheme's assets and liabilities ~~in order to set the pension protection levy payable to the Pension Protection Fund~~.

2.2 Purpose of this guidance

This guidance is intended for actuaries undertaking valuations to determine the level of funding in accordance with **section 179** of the Act.

2.3 Legislative requirements

Assumptions must be set in compliance with Regulation 6 of the Pension Protection Fund (Valuation) Regulations 2005, which provides that, for a section 179 valuation, the estimated cost of securing scheme benefits is calculated in accordance with any guidance issued by the Board in accordance with section 179(4) of the Act, for the member by means of an annuity purchased at the market rate at the relevant time.

2.4 Legislation or authority for actuarial valuations

The following lists key legislation that is relevant to section 179 valuations but it is not intended to be comprehensive.

The Pensions Act 2004 (the Act), particularly section 179, section 162 and Schedule 7

The Pension Protection Fund (Valuation Regulations) 2005 SI 2005/672 ("the valuation regulations")

The Pension Protection Fund (Compensation) Regulations 2005 SI 2005/670

The Pension Protection Fund (Multi-employer Schemes) (Modification) Regulations 2005 SI 2005/441

~~Relevant compensation cap orders - these are updated annually~~

The Pensions Act 2008

The Pension Schemes Act 2026 and associated regulations

All legislation made under and/or modifying any of the above.

s179 Part 3 – Financial basis for use when undertaking valuations

3.1 Calculation of yields as at the effective date of valuation

Yields should be measured as at the close of business on the effective date of the valuation. For any dates where yields are not available the yields for the nearest preceding date should be used. Yields should be calculated to the nearest 0.01%. Expressions of the form (Yield Z - k%) should be calculated as an arithmetic difference and not a geometric difference.

3.2 Yields in deferment

Compensation increasing in deferment and accrued prior to 6 April 2009

For each non-pensioner, where compensation which accrued prior to 6 April 2009 increases in deferment, the liability for the period of deferment must be obtained by discounting the benefit at normal pension age at the adjusted net index-linked gilt yield shown below. As this yield implicitly allows for increases to normal pension age no allowance should be made for increases to benefits between the relevant date and normal pension age.

Adjusted net index-linked gilt yield = Yield A (**i**) + ~~0.2%~~ 0.5%

(**i**) Yield A should be determined daily as 50% of the sum of the FTSE Actuaries' Government Securities Index-Linked annualised Real Yields 5 to 15 years assuming:

a 5% inflation; and

b 0% inflation.

Compensation increasing in deferment and accrued after 5 April 2009

For each non-pensioner, where compensation which accrued after 5 April 2009 increases in deferment, the liability for the period of deferment must be obtained by discounting the benefit at normal pension age at the adjusted yield shown below. As this yield implicitly allows for increases to normal pension age no allowance should be made for increases to benefits between the relevant date and normal pension age.

Adjusted yield = higher of (Yield A (**i**) + ~~0.2%~~ 0.5%) and (Yield B (**ii**) – ~~2.5%~~ 2.2%)

(**ii**) Yield B should be determined daily as the annualised yield on the FTSE Actuaries' Government 10-year Fixed Interest Index.

Compensation not increasing in deferment

For each non-pensioner, where compensation does not increase in deferment, the liability for the period of deferment must be obtained by discounting the benefit at normal pension age at the adjusted gilt yield shown below.[4]

[4] This assumption only applies to schemes that do not provide for any revaluation of benefits for, or in respect of, any member. If one or more members receive revaluation on any part of their pension, then this assumption does not apply to that scheme.

Adjusted gilt yield = Yield B (**ii**) + 0.3%

3.3 Yields in payment

Separate yields are used for pensioners and for non-pensioners post retirement. For the period from which payments are assumed to commence, the liability must be obtained by reference to the following (adjusted) yields.

Non-pensioners: compensation with no increases in payment

Adjusted yield = Yield D (**iv**) + 0.3%

(**iv**) Yield D should be determined daily as the annualised yield on the FTSE Actuaries' Government 20-year Fixed Interest Index.

Non-pensioners: compensation increasing in payment

Adjusted yield = higher of (Yield E (**v**) + ~~0.1%~~ 0.4%) and (Yield D (**iv**) – ~~2.3%~~ 2.0%)

(**v**) Yield E should be determined daily as 50% of the sum of the FTSE Actuaries' Government Securities Index-Linked annualised Real Yields over five years assuming:

a 5% inflation; and

b 0% inflation.

Pensioners: compensation with no increases in payment

Adjusted yield = Yield C (**iii**) + ~~0.4%~~ 0.6%

(**iii**) Yield C should be determined daily as the annualised yield on the FTSE Actuaries' Government 15-year Fixed Interest Index.

Pensioners: compensation increasing in payment

Adjusted yield = higher of (Yield A (**i**) + ~~0.6%~~ 0.8%) and (Yield C (**iii**) – ~~1.8%~~ 1.6%)

s179 Part 4 – Mortality for use when undertaking valuations

The mortality baseline in respect of an active, deferred or pensioner member, pre and post retirement, shall be:

Gender of first life	First life	Contingent life
Men	S4PMA	S4DFA
Women	S4PFA_M	S4DMA

The mortality baseline in respect of a current dependant shall be S4DMA (men) and S4DFA (women).

Future changes to mortality in line with
CMI_2024_M [1.50%; A=0.25%~~; w2020=10%; w2021=10%~~] and
CMI_2024_F [1.50%; A=0.25%~~; w2020=10%; w2021=10%~~] for men and women, respectively (from 2017).

These mortality tables are published by the Continuous Mortality Investigation. For each individual, the set of mortality rates used shall be those applicable to that individual's year of birth.

s179 Part 5 – Other assumptions for use when undertaking valuations

5.1 Assumptions for contingent benefits

a) Proportions married

Where the scheme provides for survivor pensions:

For pensioners

Where the scheme makes provision (including discretionary provision) for survivor pensions for 'relevant partners' an assumption consistent with 85% (males) or 75% (females) at normal pension age.

Where the scheme only makes provision for survivor pensions for a legal spouse or civil partner, an assumption consistent with 80% (males) or 70% (females) at normal pension age.

Using a proportion married assumption consistent with 85% / 80% (males) or 75% / 70% (females) at normal pension age may require mortality rates for calendar years before 2017 for a 'strictly correct' calculation of the proportion married assumption to apply for older pensioners. In such circumstances prudent assumptions should be used.

For non-pensioners

Where the scheme makes provision (including discretionary provision) for survivor pensions for 'relevant partners' the assumption must be, at the assumed date of retirement or earlier death, 85% (males) or 75% (females).

Where the scheme only makes provision for survivor pensions for a legal spouse or civil partner, the assumption must be, at the assumed date of retirement or earlier death, 80% (males) or 70% (females).

A **'relevant partner'** is as defined in SI 2005/670, being a person of either sex who was not married to, or in a civil partnership with, the member and who was living with the member as if that person and the member were husband and wife or, in the case of two adults of the same sex, as if they were civil partners. For the purpose of the above, two adults of the same sex are to be regarded as living together as civil partners if they would be regarded as living together as husband and wife were they instead two adults of opposite sex. Schemes that were formerly contracted-out on a protected rights basis may be required to pay a survivor's pension to a wider category than just the legal spouse.

b) Age difference between member and dependant

Females are assumed to be 3 years younger than males.

c) Children's pensions

No specific additional allowance is to be included for prospective children's pensions. Children's pensions already in payment should be assumed to cease at age 18, or age 23 if currently aged over 17.

5.2 Expenses

This calculation of expenses is intended to give an estimate of the cost of securing a full buyout with an insurance company. The expenses specified in this section must be applied whatever the investment strategy of the scheme and, in particular, even if all scheme benefits are secured by immediate and deferred annuity policies.

a) Estimated wind-up expenses

5% of liabilities (excluding benefit installation / payment expenses) up to £4 million, plus

1.5% of liabilities (excluding benefit installation / payment expenses) between £4 million and £20 million, plus

0.8% of liabilities (excluding benefit installation / payment expenses) between £20 million and £340 million.

The estimated wind-up expenses will be no more than £3 million for all schemes.

b) Benefit installation / payment expenses

Non-pensioners
An allowance of £750 per member should be made.

Pensioners
An age-related allowance per member should be made, according to the table below:

Age	**Expense allowance per member**
	£
< 60	650
60 – 70	550
70 – 80	500
80 +	400

If a member has two or more records, e.g. a pension and a deferred pension, then only one expense allowance (the highest) should be calculated.