Contents

Part 1 Effective date of guidance

Part 2 Overview

2.1 Introduction
2.2 Purpose of this guidance
2.3 Legislative requirements
2.4 Legislation or authority for actuarial valuations

Part 3 Financial basis for use when undertaking valuations

3.1 Calculation of yields as at the effective date of valuation
3.2 Yields in deferment
3.3 Yields in payment

Part 4 Mortality for use when undertaking valuations

Part 5 Other assumptions for use when undertaking valuations

5.1 Assumptions for contingent benefits
5.2 Expenses

Part 1 – Effective date of guidance

1.1 This is version A12 of the guidance.

1.2 This version of the guidance is effective for valuations with an **effective date** on or after 30 November 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 179 of the Pensions Act 2004.*

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.

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 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

The Pensions Act 2008

The Pension Schemes Act 2026 and associated regulations

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

Part 3 – Financial basis for use when undertaking valuations

3.1 Calculation of yields as at the effective date of valuation

For a scheme which is a superfund assessed by The Pensions Regulator (TPR), or a section of such a superfund, the financial basis should be set in line with the version of our '*Guidance on assumptions to use when undertaking a valuation in accordance with section 143 of the Pensions Act 2004'* applicable at the effective date of the valuation. These provisions relate solely to the prescribed standard s143 financial assumptions and do not extend to any option to propose alternative assumptions for an s143 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**) + 0.5%

(**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**) + 0.5%) and (Yield B (**ii**) – 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.[1]

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[2]

Adjusted yield = higher of (Yield E (**v**) + 0.4%) and (Yield D (**iv**) – 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**) + 0.6%

(**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[2]

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

Notes:

1. 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.
2. Our *Guidance for undertaking the valuation in accordance with Section 179 of the Pensions Act 2004* will specify when this is to include increasing pre-6 April 1997 compensation.

Part 4 – Mortality for use when undertaking valuations

For a scheme which is a Superfund assessed by The Pensions Regulator (TPR), or a section of such a Superfund, the mortality baseline should be set in line with the version of our '*Guidance on assumptions to use when undertaking a valuation in accordance with section 143 of the Pensions Act 2004'* applicable at the effective date of the valuation. These provisions relate solely to the prescribed standard s143 mortality baseline assumptions and do not extend to any option to propose alternative assumptions for an s143 valuation.

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 [long-term rate 1.50%; A=0.25%] and
CMI_2024_F [long-term rate 1.50%; A=0.25% for men and women, respectively (from 2017).
All other parameters, including the half-life of the decay of the overlay, shall be their core values.

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.

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.