Housing briefing, February 2026
Planning ahead of a new financial year

Contributions are set to change in April 2026 for employers in the Local Government Pension Scheme (LGPS) and the Defined Benefit (DB) section of the Social Housing Pension Scheme (SHPS DB).

The weeks leading up to April are also a good time for employers to encourage staff to review their pension contribution levels and salary exchange (or salary sacrifice) arrangements.

In this briefing, we identify key planning points for both employers and employees.

Pension contributions for employers

LGPS: Most regional funds have now issued their 2025 valuation results and confirmed new employer contribution rates from April 2026. In many cases these have only recently arrived, and we're aware that some employers are still waiting.

With 1 April approaching, this leaves a short window for employers to build these new rates into budgets and financial plans. The broad pattern of stronger funding levels and reduced contributions is welcome news for the sector after several challenging years.

Materially improved funding positions have raised wider strategic questions. For employers with a relatively small number of active members, this may be an appropriate moment to consider long-term participation and the viability of an exit.

Several funds now offer lower-risk investment options designed to help employers *lock in* recent gains and reduce volatility in future costs.

SHPS DB and other DB schemes: For SHPS DB, employer deficit contributions will rise by 2% in April. Other DB schemes may have similar annual uplifts.

Housing associations will soon turn their attention to the next SHPS DB actuarial valuation starting later this year, and the related upcoming judgment in the Verity Trustees v Wood court case.

Pension communications for employees

Most staff in the social housing sector are now members of Defined Contribution (DC) schemes. While DB schemes require almost no ongoing decision-making from employees, DC outcomes can depend heavily on engagement and regular review.

Key areas where employers can support staff are:

- **Contribution choice:** Many employers offer tiered or matching contributions. Employees are typically auto-enrolled at the minimum level, and in our experience, many stay there due to inertia and a lack of appreciation of the extra savings available. Clear reminders can help staff assess whether they are saving enough.
- **Salary exchange:** Employers using an opt-out rather than opt-in approach often see much higher participation levels. The new financial year is a good moment to highlight potential savings for both employers and their people.
- **Investment choice:** While all DC schemes have a default investment option, employees can choose alternatives that may target higher growth, lower risk or ethical preferences. In some DC schemes, the employer can influence the selection of this default option.
- **Expression of wish:** The proportion of members who have completed a nomination form determining who receives their pension savings on death is often low. Regular prompts help keep beneficiary details up to date.

Pension engagement can be encouraged throughout the year, but the run-up to April is a particularly effective time to remind staff to review pension contribution levels and participation in any salary exchange option available.

LGPS member contribution bands will also change from April 2026, broadly increasing in line with CPI inflation. Payroll teams will need to consider whether this will change any individual LGPS member rates.

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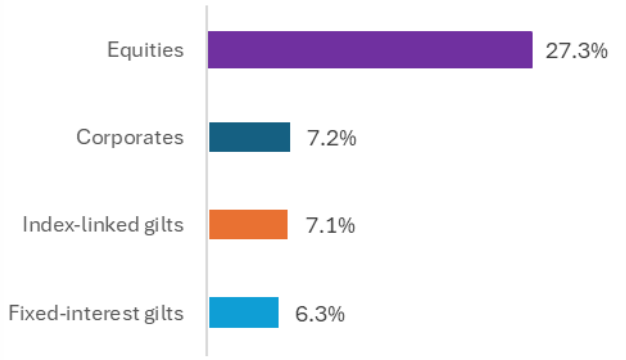
Pension cost accounting as at 31 March 2026

Many housing associations will be turning their attention to the preparation of financial statements for 31 March year-ends.

For pension cost accounting disclosures, that will involve deciding on the appropriate assumptions to use. Those choices, along with asset returns and changes in financial conditions, will determine the net asset or liability recognised on your balance sheet.

Asset performance

The chart below shows the returns between 31 March 2025 and mid-February 2026 on some of the key asset classes held by schemes.



As you can see, bonds have shown positive returns of over 6% during that period. However, these pale in comparison to equity returns, with global equity returning in excess of 27% (especially impressive when we remember that the year started with the 'slight blip' of Trump's initial tariff announcements).

However, the latest developments in the Middle East are already generating market volatility.

Headline changes in financial conditions

With changes in market conditions since March 2025, many schemes will have seen improved positions over the year so far. But a lot can happen in a month, so this may not be the case by 31 March 2026.

Bond yields, which drive accounting discount rates, and inflation expectations have both fallen slightly since 31 March 2025:

Market indicator	31/03/25	20/02/26
Corporate yield[1]	5.7%	5.6%
Gilt yield[2]	5.2%	5.1%
Market-implied inflation[2]	3.5%	3.2%

1 Yield on the iBoxx >15 year AA-rated corporate bond index
2 Bank of England yield curves for a duration of 15 years

Whether these changes cause liabilities to rise or fall will depend on a scheme's benefit structure and liability profile, but it's fair to say that any change in liabilities will be less significant than the big swings we saw in some recent 31 March year-ends.

Headline changes in demographic assumptions

As you may be aware, the actuarial profession regularly updates models used to project changes to life expectancy.

CMI 2024 was the first version of the model since Covid-19 to show an increase in life expectancy. We do not yet know what impact CMI 2025 will have on liabilities, but it's worth being aware that moving from CMI 2023 to CMI 2024 might add c1% to liabilities

Setting the right accounting assumptions

The assumptions used are the responsibility of each organisation's directors, and there is always a range of outcomes that can be considered reasonable.

This remains the case for multi-employer schemes, such as SHPS or the LGPS. These funds will typically provide results using the same approach for all employers. Those assumptions may not be appropriate for your membership, and you should be aware that you can take independent advice and request results based on different assumptions should you decide to.

Verity Trustees vs Wood

We cannot talk about pension liabilities without mentioning the elephant in the room – the impending judgment in the Verity Trustees v Woods case.

For housing associations with schemes currently or previously run by TPT, this judgment could result in material additional liabilities which will need to be recognised on the balance sheet and charged to I&E. You can read a little more on this in our January briefing.

It looks increasingly likely that the judgment will not be made before the end of March. This will bring unwanted uncertainty for employers, who will face the prospect of either making a judgment call on the likely outcome of the case and recognising the associated liabilities, or treating it as an adjusting post-balance sheet event.

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First Actuarial is now part of Gallagher

You may have seen that Gallagher, one of the world's leading insurance brokers, risk management and consulting firms has acquired First Actuarial. See the press release announcing the acquisition.

Together, we will form one of the UK's largest pension and employee benefit consultancies. Gallagher sees First Actuarial as a key part of its strategy to strengthen its UK market position. The combined business can support clients of every size – from the smallest to the very largest schemes and employers.

The team, culture, values and way we do business will not change. It will be business as usual with all partners and the entire management board of First Actuarial remaining in their current roles. We will even keep our name and logo for the foreseeable future.

Over time, this change will enhance the services we provide to you. Gallagher acquired us because it recognises the quality of our work and wants us to continue doing our very best for our clients. We will draw on Gallagher's strengths – including its technology, scale and expertise – to offer our clients even better services.

Gallagher has a large number of clients in the social housing sector. We remain fully committed to the sector and to delivering pragmatic, high-quality advice at a fair and transparent cost. Becoming part of Gallagher reinforces our long-term stability and puts us in an even stronger position to support housing associations of all sizes in navigating pension and employee benefit challenges.

NHF Finance Conference

Once again, we will be exhibiting at the NHF Finance Conference.

Visit us at **stand 621** if you're attending the event. There will also be a separate Gallagher stand.

Upcoming events

We have an action-packed first half of 2026:

Tuesday 31 March: LGPS Day webinar

In this 45-minute webinar, our housing pension specialists will deliver insights on the latest LGPS results, the upcoming Verity Trustee v Woods judgment, and updates on CDC and superfunds. Find out more and register here.

Wednesday 15 April: Pension Accounting at 31 March 2026 – What Employers Need to Know

Join us at 10am to get guidance from our pension cost accounting experts on:

- What financial changes over the last 12 months mean for balance sheet positions
- Verity Trustee v Woods case
- Where you have flexibility in setting your year-end assumptions.

Find out more and register here.

Thursday 25 June: First Actuarial Annual Conference

Our annual conference will be back at the prestigious De Vere Grand Connaught Rooms, 61–65 Great Queen Street, London WC2B 5DA.

We're in the process of putting together a great line-up of speakers to cover the areas we think you'll want to hear about – from investment and compliance to the latest pension and employee benefit developments. Keep an eye on your inbox for further details.

Get in touch with our experts

First Actuarial provides independent advice to more housing associations than any other firm. To discuss the topics in this briefing, or any area of pensions, contact any of our nationwide social housing team.

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