Housing briefing, October 2025
Annual FRS 102 survey – headline results

This briefing provides early sight of the headline results of our sixth annual survey, the biggest Defined Benefit (DB) survey of the UK social housing sector. It looks at FRS 102 results and assumptions as at 31 March 2025.

Key findings at 31 March 2025

The **total** aggregate FRS 102 funding level remained largely stable over the year to 31 March 2025 – at around **110%**.

1 in 4 schemes in our survey have an accounting **surplus** as at 31 March 2025, compared to 1 in 20 just four years ago.

Ex-SHPS schemes (created after a bulk transfer) continue to retain a **higher aggregate funding level** than SHPS.

Some **LGPS** sponsors are actively considering triggering **cessation** given the material improvements in funding.

The **aggregate asset value** – for results in our survey – stayed relatively **stable** over the year.

Annual UK inflation in September 2024 was **2.7%** and **1.7%** for RPI and CPI inflation, respectively.

Our survey covers more than **230 results**, representing more than **£8.7bn** in pension accounting liabilities and providing powerful insights into the funding of the sector's DB liabilities. The full survey results will be released later this year. Get in touch with one of First Actuarial's team of housing pension specialists or your usual contact to make sure you receive a copy.

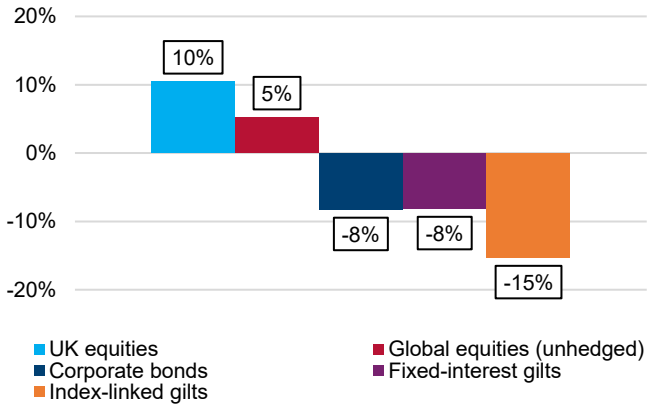
Change in financial markets

Asset returns for the year to 31 March 2025 were notably lower than the previous year's strong gains.

UK equities led performance, with a return of 10% over the 12-month period. Global equities were slightly behind this, with a return of 5% this year. At the other end of the spectrum, government bonds experienced significant declines – around 15% for index-linked gilts and 8% for fixed-interest gilts.

In this environment, and as we've seen for a number of years now, schemes with a higher allocation to equities (such as LGPS funds) are likely to have delivered the strongest FRS 102 funding results.

Returns for the 12 months to 31 March 2025



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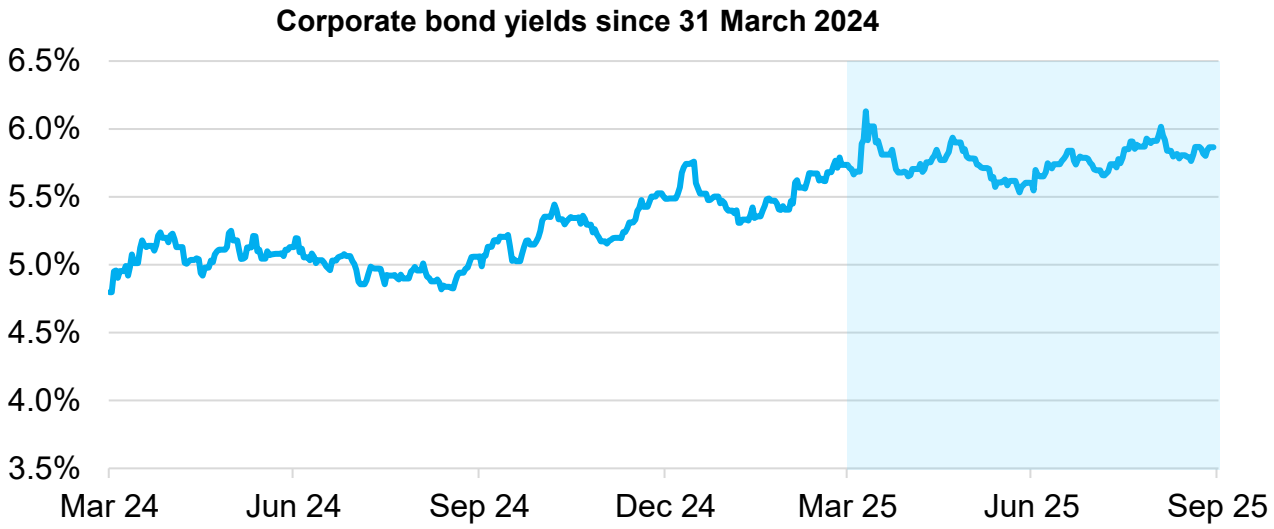
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Liabilities and assumption setting

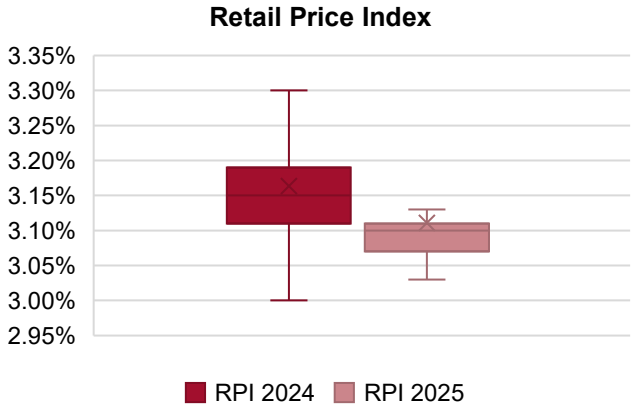
The key assumption used to value liabilities is the discount rate. FRS 102 states that this must be derived from *market yields at the reporting date on high quality corporate bonds*, but there is a range of reasonable assumptions. Ultimately, the exact assumptions used for accounting purposes are the responsibility of each housing association board. Best practice is for boards to receive independent actuarial advice on appropriate assumptions to use for their disclosures, rather than accept the default assumptions provided by the scheme.

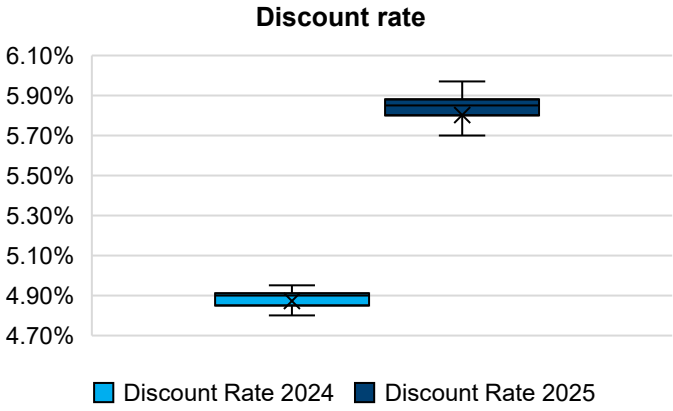
The graph below shows corporate bond yields from 31 March 2024, with yields since the last year end shown in the shaded blue box.



Bond yields remained relatively stable during the first six months following 31 March 2024, before beginning a steady upward trend. By year end, yields were significantly higher than they had been 12 months earlier – rising by an average of around 0.9% pa. Since the year end, yields have continued to rise, and we anticipate a further increase in the discount rate at the next year end. As a reminder, the **higher** the discount rate, the **lower** the value of the liabilities. In isolation, this means that a 0.1% pa increase in the discount rate could have reduced accounting liabilities by up to 2%.

While different assumptions can be reasonable, the vast majority of results in our 31 March 2025 survey adopted a discount rate between 5.75% pa and 5.95% pa. Other financial assumptions, such as RPI inflation, were set within a much narrower range than in the previous year, as illustrated in the graphs below. This suggests a period of slightly more stable (or perhaps less volatile) market conditions.



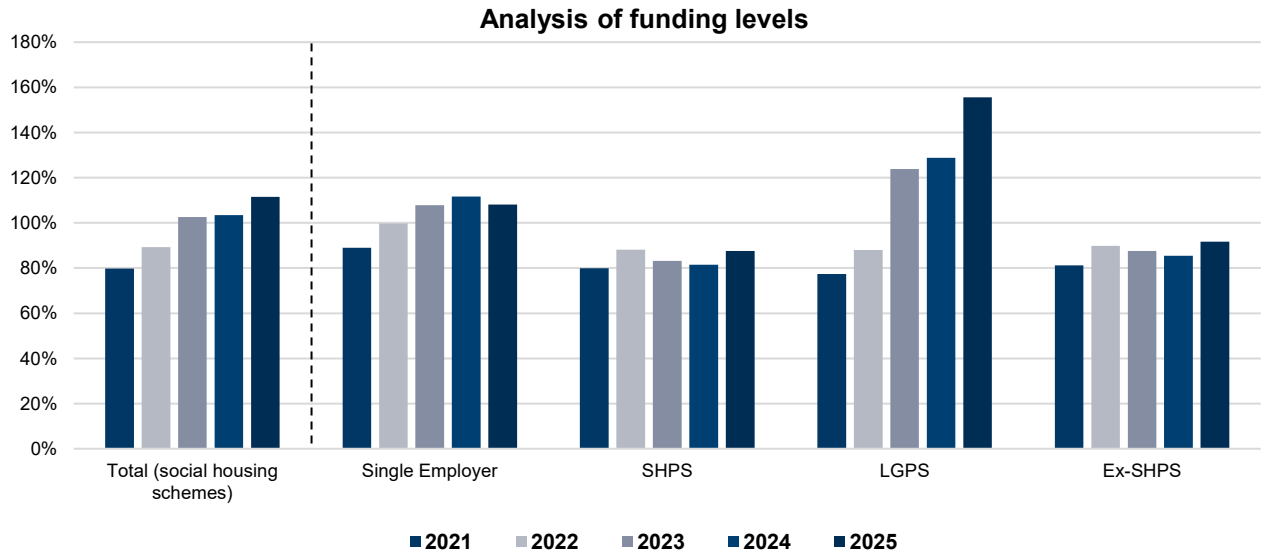


Funding levels

The key results come when we consider asset performance and liability movements together. This continues to give rise to a broad range of funding levels across the sector.

The total aggregate funding level across all schemes has shown a positive trend over the last five years, with the overall funding level increasing from approximately 90% in 2021 to around 120% by 2025.

The aggregate funding levels for SHPS and the ex-SHPS schemes remained relatively stable, with funding levels hovering around 90%. In contrast, the aggregate funding level for LGPS funds covered in our survey increased significantly over the period, rising from just under **80%** in 2021 to over **140%** by 2025. This is because many LGPS funds hold significant allocations of growth assets.



What does all this mean?

FRS 102 valuations provide interesting insights into scheme funding, and our full survey will explore this in more detail. However, it's important to remember that accounting valuations are not used to determine cash funding. For cash funding, liabilities are valued on different (sometimes more prudent) assumptions, and there are different (even more prudent) assumptions again for exit valuations.

For the accounting year end, financial assumption setting is only one part of the equation – for a start, there are demographic assumptions to set as well. The impact of past and pending court rulings may well prove crucial for employers in the social housing sector. While government intervention may provide the answer to the issues arising from the Virgin Media case, the outcome of the Verity Trustees v Wood court case will remain a real issue for many schemes.

For support with your year-end accounting disclosures, or to make sure you receive our full survey, please get in touch with one of First Actuarial's team of housing pension specialists.



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