

# Shetland Islands Council

## Active Members - Pensions Newsletter

### August 2025

---



Welcome to the August 2025 Active Members' Newsletter. The purpose of this newsletter is to keep all our active members informed about the Shetland Islands Council Pension Fund and Local Government Pension Scheme (LGPS) matters in general.

## MINIMUM PENSION AGE TO INCREASE

From **6 April 2028**, the Government is increasing the earliest age at which you can voluntarily opt to take your LGPS pension **from age 55 to age 57**. If you draw your pension before your Normal Pension Age (NPA), it means your pension will be in payment for longer than expected and therefore will be reduced due to early payment.

It's still unclear at this point if any protections will be applied for existing members of the scheme, so please be aware that you may not be eligible to take your benefits under age 57 if the date falls after 5 April 2028.

The increase in the minimum retirement age does not affect members who retire due to ill health.

## McCLOUD JUDGEMENT

You may recall in our last Pensions Newsletter we featured an article on the McCloud Judgement. We can confirm that McCloud Remedy calculations now form part of normal pension administration business. We are currently awaiting an update to our Pension Administration System, which will allow us to carry out the necessary underpin calculations for all members who have protected service and therefore require to be revisited.

Whilst most members won't be impacted by McCloud, if you are affected, any increase to your pension is expected to be minimal. Please be assured that once we can proceed with the backlog of calculations, we will contact scheme members who are affected.

**To aid review of eligibility, scheme members were written to asking to provide confirmation of any pension membership held in other public sector pension schemes that was not transferred to Shetland Islands Council Pension Fund. If this applies to you, it's important that you provide the pension membership details to us to check whether you qualify for protection. If you do not it may be to your disadvantage.**

**If you are identified as a protected member, you do not require to make a claim, we will automatically do the check. If you are contacted by a third party organisation selling a service to help you claim additional pension, you should not engage with them.**

## PENSION DASHBOARD

### What is a Pension Dashboard?

As confirmed in last year's Pensions Newsletter, a Pension Dashboard is a tool which will allow you to view any pension that is not yet in payment, securely online and in one place. All pension schemes in the UK, including the LGPS, need to connect to the dashboard ecosystem to provide members with their pension information in a secure way.

### Why does the Government want to set up Pensions Dashboards?

Most people will change jobs several times during their working life, meaning that they may have more than one pension pot. Pensions dashboards is a government initiative which will enable you to see simple information about your current scheme pension as well as any other pension savings that you may have, including your State Pension online, securely and in one place. This facility should also help you to find any lost pension pots, help you to engage with your pensions and help you plan for retirement.

### When will it be launched?

Pension Schemes are asked to connect over time according to their size and type of scheme. **For the LGPS the "connect by" date is the 31 October 2025.** Members will not be able to see their information at "connection date". **A launch date is expected before 31 October 2026.** The government refers to this as the **Dashboards available point.**

Work is ongoing to ensure that we are ready for our connection slot.

### What you require to do?

Please make sure you keep your personal details up to date. When you use a Pension Dashboard, you will be asked to input certain personal data to verify you are who you say you are. To match with your pension benefits it is essential that the personal data we hold for you, such as first name, surname, date of birth and current address is correct.

### Where to find out more?

The project is being managed by the Pensions Dashboards Programme. You can see everything about them by logging onto their website at:

➤ <https://www.pensionsdashboardsprogramme.org.uk/>

## LGPS CARE PENSIONS up by 6.7% in 2024

The adjustment to your CARE pension for 2024 was an increase of 6.7%. The increase is included on your 2025 pension statement.

We adjust the pension you've built up so far every April in line with the Treasury Department's Revaluation Order, currently set by the Consumer Price Index (CPI) for the September before the increase date. The adjustment only applies to the CARE part of your pension. If you also have final-salary pension benefits from membership before April 2015 they're worked out differently and the increase doesn't apply to them until you retire.

## LGPS PENSION INCREASE 2025

The pension increase for 2025 was **1.70 %**. This follows increases of 6.7% for 2024, 10.1 % for 2023, 3.10% for 2022 and 0.50% for 2021.

## PENSION SCAMS – Stay safe online and on calls

Fraudsters don't care who you are or that their scam could ruin your life. So knowing the warning signs, such as cold call, text or email offering one-off investment or asking you to release money from your pension, could stop them from taking what you've worked hard to build up.

Fraudsters promise high returns and low risk. Pension savers who are scammed are usually left with nothing. Many losing their life savings.

If you suspect a scam, you should report it to the authorities so that they can investigate. **Spot it. Discuss it. Report it.**

If you suspect a scam, call Action Fraud on **0300 123 2040** or visit their website at: [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

You can see more about the warning signs of a pension scam and how to report it at:

➤ <https://www.thepensionsregulator.gov.uk/en/pension-scams>

## PENSION SCAMS – restrictions on pension transfers

Regulations, introduced with effect from 30 November 2021, provides further legal restrictions on a member's statutory right to a transfer. These regulations give pension administering authorities tools to act if they have any suspicions about the circumstances that have led a member to request a transfer.

If you decide to transfer your pension benefits to another arrangement, your application will be assessed against certain checks. The checks are designed to protect pension scheme members and their savings from pension scams.

## STRONGER NUDGE TO PENSION GUIDANCE

The Nudge Regulations came into force on 1 June 2022. The Government has introduced this legislation to ensure that scheme members are made aware of Pension Wise Guidance as part of the application process for taking or transferring their defined contribution (DC) pension savings.

Pension Wise is a government service from Money Helper that offers free, impartial pension guidance about DC pension options. Members can opt out of taking Pension Wise Guidance.

In brief, being an LGPS member, the Nudge Regulations **only** apply if you have an in-house AVC Fund and you withdraw or transfer your AVC Fund.

## FREEDOM AND CHOICE - TRANSFERS

Government reforms have meant individuals currently aged 55 and over can access benefits from their Defined Contribution (DC) pension schemes.

As the Local Government Pension Scheme (LGPS) is a public sector Defined Benefit (DB) Scheme, Freedom and Choice does **not** apply. However, if you have an Additional Voluntary Contribution (AVC) Fund, this is a Defined Contribution (DC) arrangement, and Freedom and Choice can apply.

Before retiring, members do have the right to transfer all their pension rights out of the LGPS to a DC arrangement offering “flexible benefits” to then access their pension benefits from age 55. Members must elect for a transfer to proceed at least 12 months before their normal pension age (NPA) in the LGPS (this being the earliest NPA if they have more than one period of membership).

**A transfer out of the LGPS is a major financial decision. It requires careful consideration and should only be done after taking appropriate professional financial advice.**

## MONEY HELPER

Money Helper is a free to use service, backed by the government providing independent support and guidance to help people understand their pension options. Visit the Money Helper Service:

- **Website:** <https://www.moneyhelper.org.uk/en>
- **Phone:** 0800 011 3797/ +44 20 7932 5780

## ADDITIONAL VOLUNTARY CONTRIBUTIONS – (AVCs)

In conjunction with Prudential, there is now added flexibility with our in-house AVC facility. It is now possible to take all or part of your AVC Fund currently from age 55 as a lump sum **without** taking your LGPS benefits at the same time. However, only 25% of the lump sum can be paid tax-free.

You can contact Prudential on 0345 6000 343 to get more information on this.

## LUMP SUM ALLOWANCE (LSA) & LUMP SUM AND DEATH BENEFIT ALLOWANCE (LSDBA)

The LSA remains at £268,275 and limits the amount of tax-free cash an individual can take as a pension commencement lump sum. Members with a protected right to a higher pension commencement lump sum on 5 April 2023 will continue to be able to access this right.

The LSDBA remains set at £1,073,100 and limits the amount of tax-free cash that can be paid in respect of an individual when they die.

## TAX – ANNUAL ALLOWANCE (AA)

The Annual Allowance (AA) is the amount by which the value of your pension can grow from one year to the next without having to pay a tax charge. The AA for 2025/26 remains at £60,000. Anything that exceeds this amount is liable for a tax charge, although you can use any unused AA in the previous 3 years to offset any tax liability.

If you have accessed a Defined Contribution Pension in 2024/25 or earlier (e.g. Additional Voluntary Contributions (AVCs)) you will have triggered the Money Purchase Annual Allowance (MPAA) which remains set at £10,000 a year. The MPAA only applies to Defined Contribution Pension Schemes and not to Defined Benefit Pension Schemes (e.g. LGPS).

**We will inform you by 6 October 2025 if your LGPS pension savings in 2024/25 exceeds the £60,000 Annual Allowance amount.**

## LSA/AA - MORE INFORMATION

If you want to understand more about LSA/AA, we recommend that you consult an independent financial adviser and/or visit HMRC's website at: <https://www.gov.uk/tax-on-your-private-pension/overview>

**We are not authorised by the Financial Conduct Authority (FCA), therefore we cannot advise you on tax matters.**

## MANAGING YOUR DATA

To comply with regulations the Pension Fund shares limited information with other public bodies to prevent and detect fraud.

### Data Protection

Member privacy is paramount to us and all personal information collected is managed in accordance with the Data Protection Act 2018 and the General Data Protection Regulations (GDPR).

To enable us to carry out our statutory duty, we are required to share your information with certain bodies but we only do so in limited circumstances. More information on how your data is held and processed can be found online in our Privacy Notice at:

➤ <https://www.shetlandpensionfund.org/website-privacy-policy>

## LGPS National Insurance Database

This is a data sharing project with all other Local Government Pension Funds in Scotland. It allows funds to identify if a member has any LGPS records elsewhere in the country; information which is necessary to help administer the pension scheme and calculate pension benefits.

## National Fraud Initiative (NFI)

The Fund has a legal obligation to participate in the NFI, a counter-fraud exercise led by Audit Scotland. It compares information about individuals held by different public bodies to identify circumstances that might suggest the existence of fraud or error.

## TELL US ONCE (TUO)

This service allows the Fund to be automatically notified when a death is registered.

## ARE YOU PROTECTING YOUR LOVED ONES?

### Automatic Spouse's/Children's Pensions

There is no need to nominate your husband, wife, civil/cohabiting partner or dependant children for a pension payable on your death, but you should make a nomination for the lump sum (see below).

### Lump Sum paid on Death

A lump sum death payment of 3 times your pay may be payable.

If you are also a deferred or pensioner member of the LGPS in Scotland, the death grant payable is the higher of your death grants. These amounts are not added together.

The LGPS regulations do not specify who a lump sum is paid to on death, and the lump sum does not currently form part of your estate even if you have a will. By completing a nomination form you can help us pay any lump sum quickly in line with your wishes.

Your current nomination details are included on your 2025 annual benefit statement. Please check to ensure they are up to date.

***If you have not completed a nomination form or want to change your nomination details, a form can be obtained from our website at:***

- <https://www.shetlandpensionfund.org/media/plyjc0sl/nomination-form-beneficiary.pdf> , or
- contact the Pensions Section on **01595 744644** and we will send you the appropriate form.

## CHANGE OF CIRCUMSTANCES

Please do remember and let us know if you change your:

- Name
- Marital Status
- Gender
- Address

## THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) AND STOCK MARKETS

Uncertainty around financial markets, the economy and pension funds has continued throughout 2024/25. We'd like to reassure you that your pension with us is safe.

Your pension is not based on investments or their performance and any financial volatility will not affect its value. The Fund remains in a financially strong position and your pension is guaranteed by law.

### SCHEME YEAR 2024/25

Over the year the Shetland Islands Council Pension Fund's value increased from **£767 million** at 31 March 2024 to **£784 million** at 31 March 2025

The table below summarises the membership of the scheme over the past 3 years.

	2022/23	2023/24	2024/25
<b>ACTIVE</b>	3,625	3,547	3,547
<b>DEFERRED</b>	2,608	2,755	2,731
<b>PENSIONERS/DEPENDANTS</b>	2,429	2,528	2,652
<b>TOTAL</b>	<b>8,662</b>	<b>8,830</b>	<b>8,930</b>

### INVESTMENT PERFORMANCE

During the first half of the financial year the investment markets were higher on stronger earnings data, improving inflation figures and interest rate cuts in the UK and US. Equity markets were though still concerned over the ongoing conflict between Gaza and Israel, and the possibility that it could spread to other countries. The second half of the financial year saw investment markets struggle in the quarter to December, due to worse than expected growth figures from China and projections of interest rates remaining higher for longer in the UK, although the US rose strongly on a decisive presidential election result which removed much uncertainty over the election. The quarter to March 2025 saw all markets fall due to increasing uncertainty about the impact of US economic policy on the global economy, along with US actions over the conflict between Gaza and Israel, and between Russia and Ukraine.

Equity markets had mixed fortunes in 2024/25, after a good start to the financial year the markets struggled during the final quarter. The best performing equity market was the UK with a return of 10.5%, down to Japan at -4.2%. Bond markets were more stable with UK corporate bonds positive, but the UK Gilts market was negative. Property produced a 6.4% return on falling interest rates and the prospect of future interest rate cuts. Cash returns remained high in line with interest rates. The Pension Fund's overall investment return for 2024/25 was 2.0%.

The start of the 2025/26 financial year continues to be dominated by concern over US economic policy and the geopolitical situation, which has caused much uncertainty and volatility in global investment markets.



## PENSION FUND ACCOUNTS 2024/25

The Pension Fund accounts have been prepared with regard to statute and the Code of Practice on Local Authority Accounting in the United Kingdom and summarise the transactions and net assets of the Fund. An extract from the Pension Fund accounts is shown in this newsletter, with a full copy of the accounts being available from mid July 2025 on the Council's website at the following link: [http://www.shetland.gov.uk/about\\_finances/](http://www.shetland.gov.uk/about_finances/)

At the end of March 2025 the Pension Fund was invested as follows:

		£000	%
Equities			
	Actively Managed	301,052	38.5
	Passive	296,759	38.0
Infrastructure		72,930	9.3
Private Credit		40,002	5.1
Property	Property	61,805	7.9
	Property Debt	5,461	0.7
Cash		4,220	0.5
Total		782,229	100.0

## Performance

The fund's overall performance is measured against an agreed performance benchmark (i.e. market return where funds invested) and recorded on a quarterly basis. The following table compares the performance of the Pension Fund against the set benchmark over the past five years.

	2020/21	2021/22	2022/23	2023/24	2024/25	3 Year Annualised	5 Year Annualised
	%	%	%	%	%	%	%
Fund Return	28.4	11.6	(0.5)	15.0	2.0	5.3	10.8
Fund Benchmark	23.8	13.1	(0.5)	17.1	4.6	6.8	11.3
Performance	4.6	(1.5)	0.0	(2.1)	(2.6)	(1.5)	(0.5)



2023/24 £000	Notes	2024/25 £000	2024/25 £000
	<b>Dealings with members, employers and others directly involved in the scheme</b>		
(24,769)	Contributions 6	(23,538)	
(1,539)	Transfers in from other pension funds 7	(2,149)	
0	Other income	(1)	
<b>(26,308)</b>	<b>Total Additions</b>		<b>(25,688)</b>
20,209	Benefits payable 8	22,677	
1,702	Payments to and on account of leavers 9	3,083	
6	Other payments	23	
<b>21,917</b>	<b>Total Withdrawals</b>		<b>25,783</b>
<b>(4,391)</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>95</b>
3,144	Management expenses 10		3,955
<b>(1,247)</b>	<b>Net additions including Fund Management Expenses</b>		<b>4,050</b>
	<b>Return on investments</b>		
(8,019)	Investment income 12		(9,936)
(98,253)	(Profits) and losses on disposal of investments and changes in market value of investments 15b		(10,263)
<b>(106,272)</b>	<b>Net return on investments</b>		<b>(20,199)</b>
<b>(107,519)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>(16,149)</b>
<b>(660,467)</b>	<b>Opening net assets of the scheme</b>		<b>(767,986)</b>
<b>(767,986)</b>	<b>Closing net assets of the scheme</b>		<b>(784,135)</b>

£000	Notes	As at 31 March 2025 £000
	<b>Investment Assets</b>	
766,656	Investment Assets 13	782,229
<b>766,656</b>	<b>Total Investment Assets</b>	<b>782,229</b>
	<b>Non-current Assets</b>	
109	Long-term debtors 20a	100
<b>109</b>	<b>Total Non-current Assets</b>	<b>100</b>
	<b>Current Assets</b>	
2,130	Debtors 20	1,977
1,675	Bank current accounts 20	2,926

3,805	Total Current Assets	4,903
	Current Liabilities	
(593)	Sundry creditors 22	(798)
(1,991)	Benefits payable 22	(2,299)
(2,584)	Total Current Liabilities	(3,097)
767,986	Net assets of the scheme available to fund benefits at the reporting year end	784,135

***The 2024/25 figures are unaudited***

## CONTACT US

If you have any questions or would like more information, please do get in touch.

**Telephone: 01595 744644 (09.00 – 17.00 Monday to Friday)**

**Email: [Pensions-FinanceServices@shetland.gov.uk](mailto:Pensions-FinanceServices@shetland.gov.uk)**

**Address: Shetland Islands Council  
Corporate Services – Finance: Pensions Section  
8 North Ness Business Park,  
Lerwick,  
Shetland, ZE1 0LZ**

**Visit:** Where possible, we ask that you call in advance to make an appointment so that the right person is available to speak with you regarding your query.

## USEFUL WEBSITES FOR LGPS INFORMATION

The Shetland Islands Council Pension Fund: [www.shetlandpensionfund.org](http://www.shetlandpensionfund.org)

The LGPS Scotland: [www.scotlgpsmember.org](http://www.scotlgpsmember.org)

***The information in our newsletters, website and letters do not override any legislation which will prevail in any dispute. These are not intended to constitute financial advice and cannot be treated as a statement of law. Our leaflets and website provide a guide to the Local Government Pension Scheme in Scotland and does not cover every circumstance. They should be used as a guide only and are for information only.***