



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

McCLOUD UPDATE

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 that require to be revisited for members with protected service.

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 are able to proceed, we will contact the members who are affected.

If you did have other public sector service that was not transferred to Shetland Islands Council Pension Fund, you will need to advise us to allow us to check whether you qualify for protection. You do not need to make a claim, we will automatically do the check.

PENSION INCREASE

Pensions are increased each April to keep up with the cost of living. This year your pension will increase by **1.7%**. This follows increases of 6.7% for 2024, 10.1 % for 2023, 3.10% for 2022 and 0.50% for 2021.

How is the pension increase decided?

The Pension Fund does not set the pension increase amount. We must follow legislation which states the increase to be applied each April should be based on the Consumer Prices Index (CPI) for the previous September. So the 1.7% increase in April 2025, is based on the CPI rate from September 2024.

When will my pension increase?

The 2025 increase took effect from **Monday 7 April 2025**. As this is part way through the month, you'll only receive part of the increase for April, with the full increase, if applicable, being paid from May onwards.

The payslip you receive in June 2025 will confirm your new pension amount and, if applicable, will also include arrears for the period 7 April to 31 May 2025.

Why is the pension increase lower than I expected?

If you retired early before age 55, your pension is, for most members, paid at a flat rate until age 55. It will then be increased to the level it would have been, had it been increased every year by the rise in cost of living since your date of early retirement.

If your pension payments began after **22 April 2024** you will only get part of the increase. The table below shows how much your pension will be increased by based on the date your pension began.

Date Pension Began	% Increase
On or Before 22 April 2024	1.70%
23 April 2024 – 22 May 2024	1.56%
23 May 2024– 22 June 2024	1.42%
23 June 2024 – 22 July 2024	1.28%
23 July 2024 – 22 August 2024	1.13%
23 August 2024 – 22 September 2024	0.99%
23 September 2024 – 22 October 2024	0.85%
23 October 2024 – 22 November 2024	0.71%
23 November 2024 – 22 December 2024	0.57%
23 December 2024 – 22 January 2025	0.43%
23 January 2025 – 22 February 2025	0.28%
23 February 2025 – 22 March 2025	0.14%

If you paid into the LGPS before 6 April 1997 and have now reached State Pension Age, it is likely you will have a Guaranteed Minimum Pension (GMP).

GMP is the minimum amount of pension we must pay you. Your GMP is also increased but some or all of the increase is paid with your State Pension.

So while the increase from us may be lower than expected, your State Pension will also have increased, giving you the full 1.7% increase you are entitled to.

The exception to this is members whose State Pension Age is after 5 April 2016. The Pension Fund is now responsible for paying the full increases in these cases.

STATE PENSION INCREASE

On 6 April 2025, the basic State Pension increased by **4.1%**. This is higher than the Fund's pension increase because of the "triple lock". The triple lock means that the Government must increase the State Pension by whichever of the following is highest:

➤ **Wage growth, or Inflation, or 2.5%**

Wage growth was highest, even more so than inflation which is used for our pensions increase, meaning the State Pension increases in line with wage growth this year.

If your state pension is not in payment, you can check how much you'll be eligible for and when you can claim it. Visit the Government's website www.gov.uk/check-state-pension to see your forecast.

For more information on your state pension please visit www.gov.uk or call **0800 731 0469**.

P60 END OF TAX YEAR CERTIFICATE

In May of each year we issue a P60 certificate to all our pensioners. The P60 is a summary of your pension and tax details for the tax year that ended on 5 April 2025. **Please keep your P60 certificate safe**, as other organisations often ask to see it as a proof of income if you make a claim for benefits or complete a self-assessment tax return.

TAX CODE QUERIES

Your final tax code for 2024/25 can be found on your P60. If your tax code changes you do not need to contact us because HMRC automatically tell us of any changes.

We receive many queries about tax codes. We do not set your tax code. We must apply the tax code to your pension as advised to us by HMRC. We are unable to change tax codes without HMRC providing an updated code electronically. HMRC will not speak to us about your tax code, therefore you must contact them directly.

You can contact HMRC by telephoning them on **0300 200 3300** or visiting www.gov.uk/incometax. Please have your National Insurance number available, along with the Pension Fund's PAYE reference number which is: **961 9902097**. You can also write to them at:

H.M. Inspector of Taxes
Centre 1 Tax Office
Queensway House
East Kilbride
Glasgow
G79 1AA

One reason your tax code may change is if you have started receiving your State Pension. Any tax-free personal allowance you may have is allocated to your state pension first, so you may need to pay more tax on your LGPS pension.

HMRC has introduced a new service that allows people to view their own Personal Tax Account. It is quick to set up and you can deal with HMRC online at a time that suits you. Go to www.gov.uk/personal-tax-account and follow the instructions.

Tax Help for Older People is a service from the charity Tax Volunteers providing free, independent and expert advice for older people on lower incomes who cannot afford to pay for professional tax advice. You can contact them on www.taxvol.org.uk

PENSION CREDIT

Another source of income, which may help during retirement, is Pension Credit a weekly benefit.

Pension Credit is a means-tested benefit separate from your State Pension. It can give you extra money if you are over State Pension Age and on low income.

There are an estimated 880,000 pensioners missing out on this cash boost so visit www.gov.uk/pension-credit-calculator to check your eligibility and get an estimate of how much you could get.

COST OF LIVING

With the cost of living crisis putting added strain on people's finances, you may find yourself in need of assistance. Here's where you can find extra support:

- **Age Scotland:** Provide information on a range of topics from energy bills to benefits that you may be entitled to. Call for free, confidential advice on **0800 124 4222** or visit www.ageuk.org.uk/scotland/
- **Citizens Advice:** Get help with queries about employment, housing, debt, benefits and consumer issues like energy bills. Call free on **0800 028 1456** or visit www.cas.org.uk/

PENSION SCAMS – Stay safe online and on calls

Scammers always think of new tricks so please remain vigilant and keep your personal data safe. They are becoming more sophisticated and increasingly using Artificial Intelligence (AI) and other technology to look and sound authentic. Never give out financial information over the phone or allow remote access to your computer following an unsolicited call or email. If you feel harassed or intimidated, simply hang up.

To remain scam-savvy:

- **Email safety** – If you receive a suspicious email, don't reply, click on links, or open attachments. Delete it immediately. If the email claims to be from a trusted organisation, contact them directly using details from their official website.
- **Phone scams** – Watch out for calls pretending to be from your bank. They may mention suspicious activity and ask for your PIN number or send a courier to collect your card. **Remember** – your bank will never ask for these things.

- **Doorstep scams** – You're under no obligation to answer the door to someone you don't know. **Check** – If unsure, call the company using a trusted number – not one they give you.
- **Speak up** – Don't be afraid to hang up, say no, and shut the door. If you feel unsafe or pressured, contact a friend, family member, or the police.

If you suspect a scam, call Action Fraud on **0300 123 2040** or visit their website at: <https://www.actionfraud.police.uk>. You can also report a scam via consumer advice, www.consumeradvice.scot or call **0808 164 6000**. You can also report scams to Police Scotland on **101**.

RETURNING TO LOCAL GOVERNMENT TO WORK

You **must notify us immediately** if you retire early on the grounds of redundancy or efficiency and then become re-employed by an organisation that participates in the LGPS. In fact, we recommend that you check with us before commencing employment, so that we can make you aware of any pension implications.

Retirement benefits already paid can become subject to “unauthorised payment” tax charges (**at 55%**) if you are under 55 and become re-employed within 6 months in a job that is **NOT** materially different to the job you retired from.

If you retired on redundancy or efficiency grounds with additional service granted by your employer (often referred to as Compensatory Added Years (CAYs)) and you return to local government work, your additional service pension may be reduced and/or permanently suspended. **Overpayments of the CAY pension element due to re-employment require to be repaid.**

Your pension will not be affected if you take up employment with an employer who is not in the LGPS.

MANAGING YOUR DATA

To comply with regulations the Pension Fund shares limited information with other public agencies 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; this information is necessary to help administer the pension scheme and calculate pension benefits.

National Fraud Initiative (NFI)

The Pension 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

This service allows the Pension Fund to be automatically notified when a member's death is registered.

AUTOMATIC SPOUSE'S/CHILDREN'S PENSIONS

There is no need to nominate your husband, wife, civil partner or dependant children for a pension payable on your death, as payment is automatic, **but you should make a nomination for the lump sum.**

Depending on the regulations you retired under, and if certain criteria is fulfilled, there may be a provision for a co-habiting partner pension. Further information on this is obtainable from the Pensions Section.

If you are the guardian of a child being paid a child's pension, please note that once they attain the age of 17, we **must be told immediately** if they stop full-time education or training. The pension is paid up to the earlier of the date they stop full time education or training, or age 23. **Any overpayment requires to be repaid.**

LUMP SUM PAID ON DEATH

If you die prior to age 75 there may be a death lump sum payable. If there is, it is calculated based on the rules of the LGPS regulations you retired under.

We have ultimate discretion to whom a lump sum is paid to on death. By completing a nomination form, you can tell us who you would like to receive any lump sum payable on your death. This will ensure quick and accurate payment after your death to the person or persons that you would like the lump sum to be paid to.

If you have not completed a nomination form or want to change your nomination, a form can be obtained from the resources section on the Pension Fund Website at: <https://www.shetlandpensionfund.org> or contact the Pensions Section 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
- Bank Details

If you change your bank account details, please either write to us or contact us for a new bank mandate form. We cannot accept changes to bank details over the phone for security reasons. If you would like to submit bank details electronically then please phone the Pensions Section first to discuss.

THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) AND STOCK MARKETS

Uncertainty and talk around financial markets, the economy and pension fund 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

In the course of 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
ACTIVE	3,625	3,547	3,548
DEFERRED	2,608	2,755	2,731
PENSIONERS/DEPENDANTS	2,429	2,528	2,652
TOTAL	8,662	8,830	8,931

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/

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		<u>782,229</u>	<u>100.0</u>

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

As at 31 March 2024 £000		Notes	As at 31 March 2025 £000
	Investment Assets		
766,656	Investment Assets	13	782,229
766,656	Total Investment Assets		782,229
	Non-current Assets		
109	Long-term debtors	20a	100
109	Total Non-current Assets		100
	Current Assets		
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

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.

Website: <https://www.shetlandpensionfund.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.