

Shetland Islands Council

Active Members - Pensions Newsletter

August 2026



Welcome to the August 2026 Active Members' Newsletter. The purpose of this newsletter is to keep you informed about the Shetland Islands Council Pension Fund and Local Government Pension Scheme (LGPS) matters in general.

DIGITAL VERSION OF THIS NEWSLETTER

You can access a digital version of this newsletter online at the Resources Section on the Pension Fund Website at: <https://www.shetlandpensionfund.org> We are also providing you with a printed version, so you have a choice of how you read the content.

YOUR 2026 ANNUAL BENEFIT STATEMENT (ABS)

Your Annual Benefit Statement, enclosed with this newsletter, gives a breakdown of the information we hold on your pension record. In short, it provides you with the current value of your pension benefits on 31 March 2026 and an estimate of what they would be at your Normal Pension Age (NPA), along with an estimate of how much your loved ones will receive in the event of your death.

It's important that we have the correct personal details for you so that we can keep in touch with you and be able to pay your pension benefits when they become due. Please do therefore remember and let us know if you change your name, marital status, gender or address, including your email address.

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 2026/27 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.

We will inform you by 6 October 2026 if your LGPS pension savings in 2025/26 exceeds the £60,000 Annual Allowance amount.

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

The Lump Sum Allowance (LSA) is the maximum amount of tax-free cash an individual can take as a pension commencement lump. The LSA for 2026/27 remains at £268,275. 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 a scheme member when they die.

NATIONAL PENSIONS DASHBOARDS PROGRAMME UPDATE

As confirmed in last year's Newsletter, the UK government's Pensions Dashboards initiative is a tool that's being developed to help individuals access all their pension information online, securely and in one place, for free. It will only show pensions that are not yet in payment. The primary objective of Pensions Dashboards is to make it easier for people to track and understand their various pension pots, including state pensions, workplace pensions, like the Local Government Pension Scheme, and private pensions, which can often be scattered across multiple providers.

We successfully met our regulatory deadline to connect to the Pensions Dashboards Programme, well in advance of our October 2025 deadline.

Whilst Pensions Dashboards are not yet publicly available, we have an ongoing obligation to maintain that connection. In addition, we must comply with all record-keeping and reporting requirements and ensure that appropriate technical and operational systems and processes are in place to effectively respond to member enquiries as the dashboard is used. For more information about the national Pensions Dashboards Programme, visit:

www.pensionsdashboardsprogramme.org.uk.

McCLOUD REMEDY UPDATE

McCloud Remedy calculations now form part of normal pension administration business. Our Pension Administration System has recently been updated to 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 we will contact members who are affected. You do not need to make a claim; we will automatically do the check.

If you did have other public sector pension service that was not transferred to Shetland Islands Council Pension Fund, it's important to let us know the dates of your membership to allow us to check whether you qualify for protection.

ACCESSING YOUR PENSION BENEFITS

Under current rules members can access their benefits from age 55. From **6 April 2028**, the UK Government is increasing the earliest age at which you can voluntarily opt to take your LGPS pension **from age 55 to age 57**. The Scottish Government decides the LGPS Regulations in Scotland. It has not yet confirmed whether there will be any protection period for existing members.

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.

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

PICTURE YOUR FUTURE

What standard of living are you looking for in retirement?

You will also have a state pension, and you might have other pension arrangements, but how much will you need? What's the minimum you can get by on in retirement? How much do you need to make your retirement comfortable?

If you don't know, you're not alone. Research shows that 77% of savers don't know how much they'll need in retirement.

The Retirement Living Standards website at:

- <https://www.retirementlivingstandards.org.uk>

helps to answer those questions. They detail what life in retirement looks like at three different levels, and what a range of common goods and services would cost at each level. They are designed to help everyone to plan for their retirement. The three levels being:

- **MINIMUM - One Person £13,900** – Covers all your needs, with some left over for fun.
- **MODERATE – One Person £32,700** – More financial security and flexibility.
- **COMFORTABLE – One Person £45,400** – More financial freedom and some luxuries.

INCREASING YOUR PENSION BENEFITS

In addition to your LGPS benefits, your employer may offer Additional Voluntary Contributions (AVCs) through Prudential. AVCs offer a tax efficient way to save for your retirement. It's a separate pot of money you build up alongside your main scheme benefits. The size of your AVC pot will depend on how much you pay in, how long you pay in for and how well the fund(s) you invest in perform. You have several options to choose from when you decide to take money from your AVC pot. More information can be found on the Prudential website at: <https://workplacepensions.mandg.com/employees>

FREEDOM & CHOICE - AVCs

With our AVC provider Prudential, we have added flexibility to our in-house AVC facility. It is now possible to take all or part of your AVC Fund from currently age 55 as a lump sum **without** taking your LGPS pension benefits at the same time. It's important to know that only 25% of such lump sum withdrawals are likely to be tax-free. To find out more, you can contact Prudential:

- Tel: **03450 6000 343**
- Website: <https://workplacepensions.mandg.com>

FREEDOM AND CHOICE - TRANSFERS

Government reforms have meant individuals currently age 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 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 regulated financial advice.

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 authority’s 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.

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.
- **FCA Firm Checker website at:**
<https://www.fca.org.uk/consumers/fca-firm-checker> - use this service to check a financial firm:
 - **Is authorised by the Financial Conduct Authority (FCA)**
 - **Has FCA permission to provide the services you want**

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**.

BE CAUTIOUS WHEN USING ARTIFICIAL INTELLIGENCE (AI) TOOLS FOR PENSIONS DECISIONS

Pension decisions you make can have long-term consequences and may be difficult (or impossible) to reverse.

AI tools such as **ChatGPT** or **Copilot** can help explain pension concepts, but when mis-used, they can also provide inaccurate, outdated or generic information that does not reflect individuals' own personal circumstances.

Privacy risks arise when sensitive financial information is shared with AI tools and therefore, we should be mindful of a growing risk of AI-enabled pension scams, for example, AI-generated 'deepfake' videos using trusted financial figures to promote fake investment opportunities. Essentially, whilst AI can be a useful starting point for research, **important pension decisions should be verified using trusted sources and, where appropriate, discussed with a professional regulated financial adviser.**

STRONGER NUDGE TO PENSIONS 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 a LGPS member, the Nudge Regulations **only apply** if you have an in-house AVC Fund and you withdraw or transfer your AVC Fund.

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

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. It allows funds to identify if a member has any LGPS records elsewhere. This information is necessary to help administer the rules of 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.

ARE YOU PROTECTING YOUR LOVED ONES?

Automatic Spouse's/Children's Pensions

There is no need to nominate your husband, wife, civil partner or dependent 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 left 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 details, please complete and return the Nomination Form enclosed with this newsletter. The form can also be obtained from the Resources Section on the Pension Fund Website at:

- <https://www.shetlandpensionfund.org> , or
- **Contact the Pensions Section on 01595 744644**

DEATH BENEFITS AND INHERITANCE TAX CHANGES FROM APRIL 2027

At present, **no** lump sum death grants paid from the LGPS are subject to inheritance tax, as such payments are not included as part of a deceased member's estate.

The UK Government has announced that from **6 April 2027**, LGPS death grants **will be** included as part of a member's estate for inheritance tax purposes. This means that inheritance tax rules will apply in some cases from that date, although there are exemptions for pension death benefits passing to a surviving spouse, civil partner or a registered charity.

It's important to understand, this reform is about inheritance tax and not about changes being made to LGPS pension scheme benefits.

If the total of a deceased member's estate remains below the inheritance tax threshold, which is currently £325,000, the death grant will be payable without being taxed.

One of the most important things for scheme members is to ensure their Nomination Form, in respect of any death grant payable, is up to date.

THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) AND STOCK MARKETS

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

Please do remember, your pension is not based on investments, or their performance and any financial volatility will not affect its value as your pension is guaranteed by law.

SCHEME YEAR 2025/26

Over the year the Shetland Islands Council Pension Fund's has remained in a financially strong position, with the overall value increasing from **£784 million** on 31 March 2025 to **£880 million** on 31 March 2026.

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

	2023/24	2024/25	2025/26
ACTIVE	3,547	3,548	3,581
DEFERRED	2,755	2,731	2,617
PENSIONERS/DEPENDANTS	2,528	2,652	2,782
TOTAL	8,830	8,931	8,980

INVESTMENT PERFORMANCE

Equity markets fell at the start of the financial year due to US economic policy on increased tariff rates, causing global trade concerns. The equity markets recovered quickly as US economic policy changed, and many tariff increases were put on hold. This positive equity momentum continued during 2025 as inflation eased and the US, UK and Europe reduced interest rates. Certain

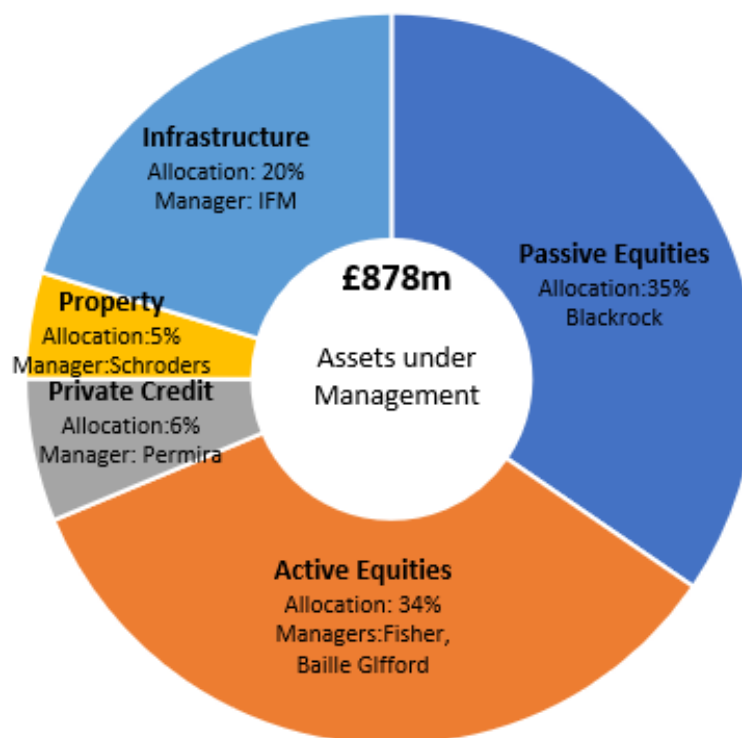
tariffs were implemented, plus the conflict between Israel and Gaza and the longest US Government shutdown on record created headwinds, but corporate earnings continued to beat expectations maintaining strong equity markets. This continued until the start of the US Iran conflict in February 2026, which caused global energy concerns and a rapid return to an inflationary environment. Equity markets fell throughout March as the conflict continued and affected global energy supplies.

PENSION FUND ACCOUNTS 2025/26

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 Pension Fund. An extract from the Pension Fund Accounts is shown in this newsletter, with a full copy available on the Council's website at the following link: http://www.shetland.gov.uk/about_finances/

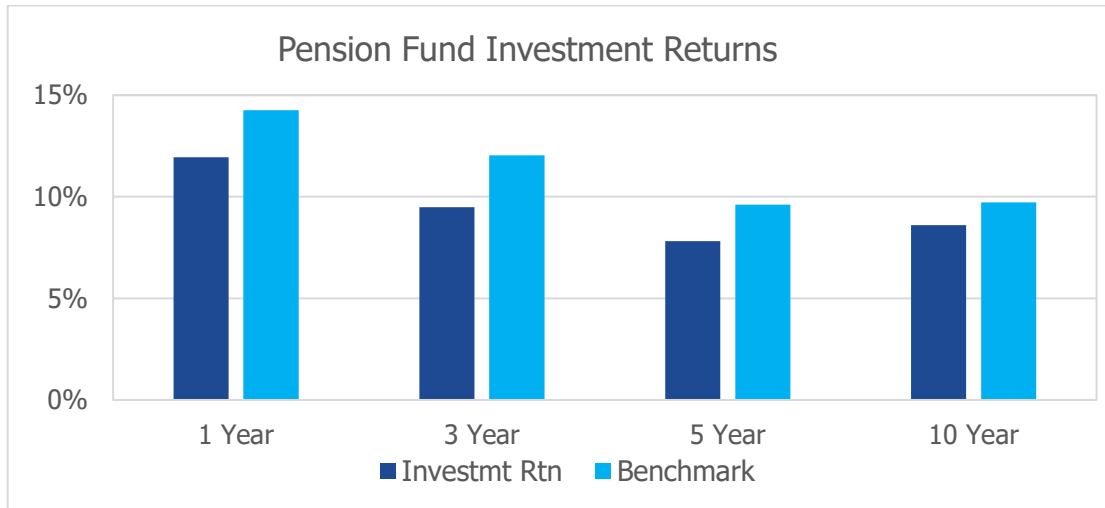
At the end of March 2026, the Pension Fund was invested as follows:

Pension Fund Investment Portfolio by underlying Asset Class at 31 March 2026



Pension Fund Performance

The Pension 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 table below shows the Pension Fund's investment returns per annum over various time periods from 1 year up to a 10-year period.



The Pension Fund achieved an overall investment return of 11.9% in 2025/26, from a combination of the fund managers returns. As can be seen from the above bar chart, this return was below the overall benchmark return for 2025/26, due mainly to the underperformance of active equities and property.

2024/25 £000	Notes	2025/26 £000	2025/26 £000
	Dealings with members, employers and others directly involved in the scheme		
(23,538)	Contributions 6	(24,871)	
(2,149)	Transfers in from other pension funds 7	(1,229)	
(1)	Other income	0	
(25,688)	Total Additions		(26,100)
22,677	Benefits payable 8	22,862	
3,083	Payments to and on account of leavers 9	2,852	
23	Other payments	10	
25,783	Total Withdrawals		25,724
95	Net (additions)/withdrawals from dealings with members		(376)
3,955	Management expenses 10		4,742
4,050	Net (additions)/withdrawals including Fund Management Expenses		4,366
	Return on investments		
(9,936)	Investment income 12		(10,748)
(10,263)	(Profits) and losses on disposal of investments and changes in market value of investments 15b		(89,401)
(20,199)	Net return on investments		(100,149)
(16,149)	Net (increase)/decrease in the net assets available for benefits during the year		(95,783)
(767,986)	Opening net assets of the scheme		(784,135)
(784,135)	Closing net assets of the scheme		(879,918)

As at 31 March 2025 £000		Notes	As at 31 March 2026 £000
	Investment Assets		
782,229	Investment Assets	13	878,388
782,229	Total Investment Assets		878,388
	Non-current Assets		
100	Long-term debtors	20a	89
100	Total Non-current Assets		89
	Current Assets		
1,977	Debtors	20	2,108
2,926	Bank current accounts	20	1,823
4,903	Total Current Assets		3,931
	Current Liabilities		
(798)	Sundry creditors	22	(493)
(2,299)	Benefits payable	22	(1,997)
(3,097)	Total Current Liabilities		(2,490)
784,135	Net assets of the scheme available to fund benefits at the reporting year end		879,918

The 2025/26 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 only provide a guide to the Local Government Pension Scheme in Scotland and do not cover every circumstance.