

Pension Update

For members of the Local Government Pension Scheme (LGPS) | Summer 2026

Welcome to the 2026 LGPS newsletter. This newsletter is for people who pay into the Local Government Pension Scheme (LGPS). It's written with help from other LGPS funds. To learn more about your pension, go to: www.isleofwightpensionfund.org

▶ Round-up

About the LGPS

The LGPS has been a career average pension scheme since 1 April 2014. This means your pension is based on your average pay over your working life. Each

year, some of your pensionable pay is added to your pension account. This amount is adjusted to match the cost of living. It's then added to your total pension.

Cost-of-living adjustments

Every April, your pension is adjusted. In April 2025, the adjustment went up by 1.7%. This follows the Consumer Prices Index (CPI). You'll see this increase reflected in your pension statement.

Important reminder

Please check your pension statement. Make sure your 2025/2026 pensionable pay is right. This pay affects how the pension grows. Your employer gives us your pay details. If something is wrong, contact your employer as soon as you can.

Looking ahead

The cost-of-living increase for April 2026 is 3.8%. This increase will be included in your 2026 pension statement. This statement covers 1 April 2025 to 31 March 2026.





➤ Pensions Dashboards update

You may have picked up from previous communications from the Fund about the introduction of Pensions Dashboards.

Pensions Dashboards are an online tool which will allow you to securely locate and view all your pension information in one place including your LGPS benefits, State pension and any other pension savings you may have accumulated over the years.

The Government is prioritising a non-commercial dashboard which will be provided by The Money and Pensions Service (MaPS), an arm's-length body of the Department for Work and Pensions. This will be available on the MoneyHelper website – the government backed money and pensions guidance service. It will be open to all savers with a pension built up in the UK that has:

- not yet been accessed, or
- is not currently being paid (for the State Pension, you must be under State Pension age).

Commercial dashboards will follow later, provided by banks and other financial bodies.

For more information on pensions dashboards, please visit:

www.pensionsdashboardsprogramme.org.uk

➤ Pension scams

The number of pension scams continues to rise, so it's more important than ever to understand how to protect your money and recognise the warning signs.

Scammers often pretend to be from genuine pension providers. They may contact you unexpectedly by email, text message, social media or through illegal cold calls. They might offer a free review of your finances or claim you can access your pension before the normal minimum pension age (currently 55 increasing to 57 from 06 April 2028).

Their aim is to persuade you to transfer your pension savings to them by promising high returns with little or no risk.

To reduce the likelihood of being scammed:

- Reject unexpected offers, unsolicited messages or cold calls
- Always check who you are dealing with on the Financial Services Register: <https://register.fca.org.uk/s/>
- Read The Pensions Regulator's leaflet on pension scams
- Do not be rushed or pressured into making decisions
- Get free, impartial guidance from MoneyHelper: www.moneyhelper.org.uk

If you receive a phone call or email that appears to be from us, but you are unsure, do not share any personal or financial information. Contact us directly to confirm whether the communication is genuine.



➤ Scheme Changes – Improving access and fairness in the LGPS

The Government has confirmed a series of changes to the Local Government Pension Scheme (LGPS) to make the LGPS fairer for all members. Most changes took effect from 1 April 2026, and some applied retrospectively.

The following is a summary of the key changes and what they may mean for you.

Fairer survivor benefits

From 1 April 2026, survivor pensions are calculated more consistently to ensure equal treatment regardless of the sex of the deceased member or their surviving spouse/civil partner.

Some survivor pensions will be increased as more of the member's service before April 2014 will now count. Some survivor pensions will become payable for the first time, this is most likely to affect male survivors of female members who left the pension scheme before April 1988.

Who could be affected?

The changes apply to deaths dating back to:

- 5 December 2005 for opposite sex marriages and same sex civil partnerships
- 14 March 2014 for same sex marriages
- 31 December 2019 for opposite sex civil partnerships.

Some cohabiting partners' pensions may also increase if the member died between 1 April 2008 and 31 March 2014.

You do not need to take any action.

We will identify any affected cases and contact you if a review applies. This is a complex exercise. We will work through the legislation, identify potential cases and then recalculate pensions.

The government department responsible for the LGPS has issued statutory guidance setting out an overall timescale of 18 months from the date the legislation took effect.

Changes to death grants

There are also changes to the rules around death grants:

- **Age limit removed:** A lump sum death grant may now be paid even if a member dies after age 75. This is backdated to 1 April 2014. We are working to identify any new death grants in respect of members who died after age 75 since April 2014. Where applicable, we will contact the beneficiaries or personal representatives to arrange payment of the death grant. Interest for late payment will be added.
- **More flexibility:** Pension funds can now use discretion to decide who receives a late death grant. This means the death grant will be taxed at each beneficiary's marginal rate of tax, rather than the 45% charge that applies when it is paid to personal representatives. A 'late' death grant is usually one that is not paid within two years of the date of death.

Stronger protection during time off work

The following changes were introduced from 1 April 2026 to help reduce the gender pensions gap by strengthening pension protection when members are away from work:

Child related leave

From 1 April 2026, you will continue to build up pension as if you were on normal pay during:

- unpaid additional maternity leave
- unpaid additional adoption leave (weeks 27–52)
- unpaid shared parental leave

This extends the existing LGPS rules whereby if you are away from work with no pay because of ordinary maternity or adoption leave (first 26 weeks), your pension continues to build up as if you were receiving normal pay.



Unpaid leave (authorised by your employer)

- **Less than 15 days:** your pension continues to build up during your break. You and your employer will both pay the normal pension contributions (this excludes strike action).
- **15 days or more:** the break does not count automatically, but you can choose to buy back the lost pension.

For unpaid leave of 15 days or more, new Qualifying Additional Pension Arrangement (QAPA) rules apply, including:

- More time to decide whether to buy back the lost pension
- Contributions based on your normal contribution rate
- The pension you buy mirrors the pension you would have built up if you had been at work
- No medical report is required

See the LGPS members website's Qualifying Additional Pension Arrangement (QAPA).

<https://www.lgpsmember.org/help-and-support/tools-and-calculators/buy-lost-pension-calculator/>

► Are your nominated beneficiaries up to date?

If you die while paying into the LGPS, a lump sum death grant of three times your annual pay may be paid to one or more people you have nominated (your beneficiaries). You are covered from the day you join the scheme, regardless of how long you have been a member.

If, at the time of your death, you also have a deferred LGPS benefit and/or an LGPS pension already in payment from a previous period of membership, the lump sum death grant paid will be the greater of:

- the total of any lump sum death grants payable from your deferred benefit(s) and/or pension(s) in payment, or
- three times your annual pay at the date of death.

The annual pay used to calculate the death grant is based on Assumed Pensionable Pay (APP). This is a notional pay figure designed to protect your benefits if your pensionable pay reduces

during periods away from work, for example due to sickness or certain types of leave.

You can complete an “expression of wish” to tell the Fund who you would like to receive any death grant. While any expression made is not legally binding, it helps guide the Fund’s decision. The Fund retains absolute discretion over the final payment. If you are considering nominating a child under age 18, you may wish to seek independent legal advice, particularly about setting up a trust.

To make or update your expression, you can fill in an “expression of wish” form, available to download from our website Home | Isle of Wight Pension Fund, or log on to our online member portal, www.iwcpensions.co.uk

We recommend reviewing your nomination regularly and updating it if your personal circumstances change.

➤ Planning your retirement income

Thinking about how much income you'll need in retirement is an important step in planning your future. The Retirement Living Standards can help you picture what life after work might look like – and what it might cost.



What are the Retirement Living Standards?

The standards were developed by Loughborough University and describe three lifestyles in retirement:

- **Minimum** - covering basic needs, with little left over for extras
- **Moderate** - offering more financial comfort and flexibility
- **Comfortable** - providing greater choice, security and leisure

They estimate typical spending on everyday essentials like housing costs, food, transport, clothing and leisure. The figures are updated regularly to reflect changes in prices and living expectations.

How much income might you need?

Based on the 2026 figures, the estimated yearly income needed is:

For a single person

- £13,400 - minimum lifestyle
- £31,700 - moderate
- £43,900 - comfortable

For a couple

- £21,600 - minimum lifestyle
- £43,900 - moderate
- £60,600 - comfortable

You can find out more about what each lifestyle includes at:

www.retirementlivingstandards.org.uk

Everyone's retirement is different

These figures are a helpful guide, but they won't be the same for everyone. Your own costs may be higher or lower depending on things like:

- Whether you still have a mortgage or rent to pay
- Any health or care costs
- Tax on your pension income
- Your hobbies, travel plans or family commitments

It's worth thinking about what you want your retirement to look like and setting your own personal income target.

Where will your retirement income come from?

Once you have an idea of how much income you might need, the next step is to look at what income you're likely to have.

1. State Pension

The full State Pension for 2026/27 is £12,548 a year. This goes a long way towards meeting the minimum standard for a single person.

Couples where both partners receive the full State Pension would usually meet the minimum standard together.

You can check your State Pension forecast at:

www.gov.uk/check-state-pension

2. Other income

Your retirement income may also come from:

- Your LGPS pension
- Any additional payments you make, like AVCs or APCs
- Other workplace or personal pensions
- Savings or investments

If you have lost track of an old pension, the Pension Tracing Service can help:

www.findpensioncontacts.service.gov.uk

Checking your LGPS benefits

You can log in to your LGPS online member portal at any time to view an estimate of your benefits. This includes:

- Your expected pension at retirement
- Estimates for early retirement
- Any reductions that may apply

Taking time to review your expected income alongside your likely spending can help you feel more confident and better prepared for retirement.



▶ Opting Out, the 50/50 Scheme and Re-enrolment

With the cost of living crisis continuing to put pressure on household budgets, you may be considering ways to reduce your monthly outgoings. One option you might look at is your pension contributions.

Membership of the pension scheme is **not compulsory**, and you can choose to opt out if you wish. However, you should **never be encouraged not to join** the pension scheme.

Before making any decision, it's important to think very carefully. The Local Government Pension Scheme (LGPS) is a valuable benefit, and opting out could significantly reduce your income in later life and have a lasting impact on your retirement.

Opting out and re-joining

If you do decide to opt out, you are able to re-join the main scheme at any time, provided you are eligible.

The 50/50 Scheme – An alternative option

If finances are tight, you may wish to consider the **50/50 Scheme** as an alternative to opting out altogether.

Under the 50/50 option:

- You pay half your normal pension contributions
- You build up pension benefits at half the normal rate
- You retain full life assurance and ill health cover, which you would lose if you opted out completely

The 50/50 scheme is designed as a **temporary measure**, and you can move back into the main scheme at any time.

Re-enrolment

Whether you opt out or join the 50/50 scheme, your employer is **required by law** to re enrol you into the main pension scheme **every three years**, provided you meet the eligibility criteria.

Top tip: Check with your employer when your next re-enrolment date is due, so you're not caught out by an unexpected pension deduction in that month's pay.

What you need to do to:

- opt out
 - opt back in
 - or join the 50/50 scheme
- you will need to **complete and sign the relevant form**.

If you're still unsure which option is right for you, we strongly recommend seeking advice from an **independent financial adviser**.

For further information or support, please contact the Pensions Team at:

pensions@iow.gov.uk

➤ Topping up your pension - Different ways to pay more

Are you thinking about paying more into your pension? Adding extra contributions can help increase your income in retirement and give you greater financial security in the future.

There are two main ways you can top up your pension:

1. **Additional Pension Contributions (APCs)** and
2. **Additional Voluntary Contributions (AVCs).**



1. Additional Pension Contributions (APCs)

APCs allow you to buy extra annual pension. You can choose to pay regular monthly contributions from your salary or by making a one-off lump sum payment. The contributions benefit from tax relief. You must be in the main section of the scheme to start APCs and the extra pension you buy will increase each year with the cost of living and will be paid to you when you retire.

The cost of APCs depends on your age, how much extra pension you want to buy, and how you choose to pay. The maximum extra pension you can buy is £9,054.

If you want to start paying APCs, please visit the online APC calculator: www.lgpsmember.org/help-and-support/tools-and-calculators/buy-extra-pension-calculator/

2. Additional Voluntary Contributions (AVCs)

Instead of buying extra pension, AVCs build up a separate pot of money in your name. When you pay AVCs, you choose how your money is invested from a range of available funds. You can change your investment choices or stop contributions at any time. In most cases, you can contribute up to 100% of your pensionable pay, providing there is enough left to cover your main pension contributions and National Insurance.

Your options at retirement

When you take your pension, you can choose to:

- take some or all of the AVC fund as tax-free cash (subject to HMRC limits),
- buy extra pension in the LGPS,
- buy a guaranteed income for life (an annuity), or
- choose a combination of these options.

Shared Cost AVCs

Your employer offers AVCs through a **Shared Cost AVC (SCAVC)** arrangement, which uses salary sacrifice.

With salary sacrifice:

- you agree to give up part of your salary, and your employer pays this amount into your AVC instead,
- you do not pay tax or National Insurance on the amount paid into the AVC,
- your employer also pays lower National Insurance.

Both APCs and AVCs count towards your annual allowance set by HMRC, and you can pay into both at the same time.

Before making any decisions, it's important to consider your personal circumstances. You may also wish to seek independent financial advice. For more information, please contact your pension fund.



▶ Simplifying pensions with videos

If you'd like a clearer understanding of your LGPS pension and the options available to you as a scheme member, but don't have much time, the Pensions Made Simple videos are perfect to watch.

These short videos offer a quick summary of important topics, including "How your pension works," "Protection for you and your family," "Life after work," and "The McCloud remedy."

To watch the videos, visit:
www.lgpsmember.org/help-and-support/videos/

▶ Changes to the Normal Minimum Pension Age

The UK Government has announced future changes to the Normal Minimum Pension Age (NMPA). The NMPA is the earliest age from which pension schemes can allow members to access their workplace or personal pensions for reasons other than ill-health. The NMPA will increase from age 55 to age 57 with effect from 6 April 2028.

You may be protected from this increase (and retain NMPA of 55) if:

- you joined the LGPS before 4 November 2021
- if you transferred a previous pension into the LGPS and certain conditions are met.

The Ministry of Housing, Communities and Local Government (MHCLG) makes the LGPS rules, and any protections will be dependent on these rules.

MHCLG has not yet confirmed if it will allow members who qualify for protection to take their LGPS pension before age 57 from 6 April 2028 onwards.

Further updates will be provided if MHCLG changes the Scheme rules to reflect the increase in the normal minimum pension age.



Contacting the Pension Team

- ☎ 01983 823626
- @ pensions@iow.gov.uk
- 🌐 www.isleofwightpensionfund.org
- ✉ Pensions Team, County Hall, Newport, Isle of Wight, PO30 1UD