

Ariane Burgess MSP
Convener
Local Government, Housing and Planning Committee,
The Scottish Parliament,
EDINBURGH,
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29 October 2025

Dear Ms Burgess

Re: Legislative consent memorandum on the Pension Schemes Bill

As Chair of Pension Sub-Committee of Tayside Pension Fund, I welcome the opportunity to respond to the Local Government, Housing and Planning Committee regarding the proposed Pensions Bill. I would like to offer the following observations and considerations:

Return of Surplus Funds to Employers - While the return of surplus funds may provide short-term financial relief to employers, it introduces longer-term risks to pension scheme stability. Surpluses are inherently sensitive to economic conditions, particularly fluctuations in gilt yields. A shift in market dynamics could quickly reverse surplus positions, potentially requiring increased employer contributions to maintain funding levels. I trust that the Scottish Government has undertaken thorough scenario analysis to assess these risks and their implications.

Creation of Mega funds - The proposal to consolidate pension funds into larger entities raises several concerns:

- **Investment Risk:** Mega funds remain exposed to market volatility. A significant downturn could impair the fund's ability to meet its obligations, with broader and more severe consequences due to the scale involved.
- **Political Influence:** There is a risk that pension assets could be directed toward government economic strategies, potentially compromising fiduciary duty and exposing members to speculative or suboptimal investments.
- **Governance Complexity:** Larger, more complex funds require enhanced governance structures. Without robust oversight, the risk of mismanagement increases.

Policy Parity with England and Wales - I support Scotland's differentiated approach. The proposed Bill appropriately empowers the Scottish Government to intervene in underperforming funds identified through triennial governance reviews,

without mandating the pooling of high-performing funds. This respects the diversity of fund profiles and avoids a one-size-fits-all approach that may not align with individual liability structures.

Thank you for the opportunity to contribute to this important consultation. I trust these reflections will be helpful in shaping a balanced and sustainable pensions policy for Scotland.

Yours faithfully,

Bailie Willie Sawers

Chair, Tayside Pension Fund Pension Sub-Committee