

**INSTRUMENTS OF ADDITIONAL PENSION
PROVISIONS IN LIMITING THE RISK
OF LOW PENSION BENEFITS FOR FARMERS**

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A b s t r a c t

This paper considers the issue of additional retirement security for farmers. On the basis of theoretical considerations and empirical data analysis, the hypothesis is that in the face of a low level of farmers' pensions, insured persons who would like to guarantee themselves a satisfactory replacement rate must use supplementary retirement security instruments. Studies conducted to test the main objective of the research, which was based on an analysis of current incomes, the level of retirement insurance premiums and pensions for different sized homesteads, confirmed the assumptions expressed in the main hypothesis. As an addition to the main objective of the research, the potential forms of supplementary retirement security and their characteristics were presented.

**INSTRUMENTY DODATKOWEGO ZABEZPIECZENIA EMERYTALNEGO
W OGRANICZANIU RYZYKA NISKICH ŚWIADCZEŃ EMERYTALNYCH ROLNIKÓW**

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Słowa kluczowe: dodatkowy system emerytalny, emerytury rolnicze, III filar, instrumenty dodatkowego zabezpieczenia emerytalnego.

A b s t r a c t

W opracowaniu podjęto problematykę dodatkowego zabezpieczenia emerytalnego rolników. W świetle rozważań teoretyczno-poznawczych oraz danych empirycznych falsyfikacji poddano hipotezę badawczą stanowiącą, że w obliczu niskiego poziomu emerytur rolniczych lepiej usytuowani rolnicy, chcąc zagwarantować sobie zadowalający dochód po osiągnięciu wieku emerytalnego, powinni

podjąć działania polegające na wykorzystaniu instrumentów dobrowolnego zabezpieczenia emerytalnego. Badania przeprowadzone w celu weryfikacji tak sformułowanej hipotezy badawczej opierały się na analizie wielkości dochodów, skali obciążenia składką na ubezpieczenie emerytalno-rentowe oraz poziomie świadczeń emerytalnych w gospodarstwach rolnych różnej wielkości. Spostrzeżenia sformułowane na podstawie przeprowadzonych analiz pozwoliły wnioskować o braku podstaw do odrzucenia postawionej hipotezy. W tej sytuacji oczywistym dopełnieniem przeprowadzonych badań była identyfikacja oraz charakterystyka form dodatkowego zabezpieczenia emerytalnego.

Introduction

A continuous public debate on the functioning of the pension scheme for farmers has been going on over the last dozen or so years. The issues that raise particular concern are both the principles of paying insurance contributions for pension insurance for farmers as well as the principles of determining the amount of pension benefits for this social group. The enthusiasts of changing the principles underlying the payment of insurance contributions for the pension scheme indicate the fact that the financial position of farmers is improving, and today a large part of them could pay the contributions on terms similar to the common (employee) pension system. On the other hand, the farmers themselves raise the issue of very low pension benefits they receive from the Polish Agricultural Social Insurance Fund (KRUS). Bearing in mind the fact that possible systemic changes in the farmers' social insurance are complicated, and thus distant in time, the author undertook a research problem that may be formulated by asking the following questions: *Are the farmers' pension benefits shaped at a level adequate to their income and are the benefits satisfactory for farmers? If not, how may the farmers themselves ensure a decent amount of their future pension benefits?* The defined problem led to the creation of a research hypothesis stating that farmers in a better financial position, in the face of a low level of agricultural pensions, wishing to guarantee a satisfactory income after reaching the retirement age should undertake actions consisting in the use of instruments of voluntary pension provisions. The research hypotheses formulated in such a manner provide the main objectives of the study, which are the verification of the need for additional pension provisions for farmers and the indication of the potential forms (instruments) of this type of provision.

The structure of the article reflects the adopted research objectives. Firstly, the economic potential of agricultural farms in Poland was examined and the farmers' pension insurance system was characterized, placing particular emphasis on the amount of paid contributions as well as the amount of pension benefits. Then, in order to verify the need for additional pension provisions of the examined social group, a synthesis of conclusions resulting from these

analyses were attempted. The final portion of the article indicates and briefly characterizes the methods for additional pension provisions that may be used by farmers.

Income of agricultural farms in Poland

Poland has approx. 1.42 million individual agricultural farms that vary in terms of their size¹ (see Tab. 1) (Rocznik... 2015, p. 113). The agrarian structure of Polish agriculture is dominated by farms with a total area under 5 ha (53.7% of all agricultural farms). On the other hand, there are only 135,000 farms with an area greater than 20 ha (9.4% of all agricultural farms). Taking into account the area of agricultural farms in the context of their economic situation, it is worth noting that, according to data from the Central Statistical Office of Poland (GUS), the average value of global production from 1 ha of arable land on individual farms in 2013 amounted to PLN 7,203 (an increase of 411 as compared to 2012), of which approx. PLN 2,898 (in 2012 – PLN 2,460) is gross added value (Rocznik... 2015, p. 174).

Table 1

Number of farms conducting agricultural activities

Area [ha]	< 1	1–1.99	2–4.99	5–9.99	10–14.99	15–19.99	20–49.99	> 50	In total
Number (thousand)	34	278	455	315	141	70	103	32	1429
Percentage [%]	2.4	19.4	31.9	22.1	9.9	4.9	7.2	2.2	100

Source: prepared by the author on the basis of (Rocznik... 2015, p. 113).

The average monthly disposable income in an agricultural farm is PLN 5,043.97 and is more than 38% higher than the average disposable income calculated for all households in Poland (see Table 2). The statistics also demonstrate the fact that the disposable income per one agricultural farm is approx. 18% higher than the income generated by households of employees and 2% lower than the income of households earning their living from self-employment (*Budżety...* 2015, p. 100). The average income for agricultural farms per one person on the farm is PLN 1,050.85, which corresponds to 78% of the income for households of employees and 64% of the income for households of self-employed people².

¹ Additionally, it should be emphasized that in GUS statistics the notion of individual agricultural farms is not identical with the notion of individual agricultural farms conducting agricultural activities.

² An average agricultural farm has 3.93 self-employed people, while the average number of people in households in total is equal to 2.73 (*Budżety...* 2015, p. 78).

Table 2

Average monthly disposable income in households

Specification	Disposable income per 1 household [PLN]	Disposable income per 1 person in the household [PLN]
Households of employees	4,289.01	1,349.12
Households of farmers	5,043.97	1,050.85
Households of self-employed people	5,164.13	1,631.64
Households of pensioners	2,531.99	1,382.32
Households in total	3,647.03	1,340.44

Source: prepared by the author on the basis of (Rocznik... 2015, p. 250) as well as (*Budżety...*, 2015, p. 100).

It is also worth noting that the highest pace of growth in income in recent years was recorded in the case of individual farms in agriculture (see Table 3).

Table 3

Dynamics of nominal gross disposable income in the households sector

Specification	2011	2012	2013	
	previous year = 100		2010 = 100	
Households of employees	105.1	104.2	102.7	112.5
Households of farmers	107.6	104.0	105.0	117.5
Households of self-employed people	105.1	104.2	102.7	114.2
Households of pensioners	103.6	104.4	103.6	112.1
Households in total	105.2	104.5	102.9	113.1

Source: prepared by the author on the basis of (Rocznik... 2015, p. 241).

More detailed information on the structure of income in Polish agricultural farms is provided in the studies of the Polish Institute of Agricultural and Food Economics – National Research Institute, conducted as part of the European FADN system (*Farm Accountancy Data Network*)³. Selected characteristics of Polish agricultural farms estimated on the basis of FADN research are presented in Table 4.

³ See: *System...* (2014). In FADN, agricultural farms are classified with regard to the economic volume criterion into one of six categories. The category „very small” includes agricultural farms for which the amount of the so-called Standard Production ranges from EUR 2,000 to EUR 8,000 (additionally, it is worth noting that defining the lower limit of an agricultural farm size in the lowest category results in the omission of the smallest farms in the research). „Small” farms are characterized by the amount of production from EUR 8,000 to EUR 25,000 „average small” – from EUR 25,000 to EUR 50,000, „average large” – from EUR 50,000 to EUR 100,000, „large” from EUR 100,000 to EUR 500,000, and „very large” – above EUR 500,000.

Table 4

Selected characteristics of Polish farms in 2013 according to FADN

Farm's economic category according to the ES6 classification	Average farm area [ha]	Number of farms [pcs]	Value of production per 1 farm [PLN]	Income from a family farm [PLN]	Income from a family farm per person working full-time from the farmer's family [PLN]
Very small	8.91	305 881	39,312.49	13,886.44	10,118.48
Low	16.32	326 060	88,463.58	35,855.27	21,932.66
Average, small	32.67	72 660	225,193.02	89,789.55	49,408.44
Average, large	56.61	21 600	457,520.65	176,567.89	91,286.33
Large	138.65	10 391	1,292,916.62	398,144.24	177,502.91
Very large	928.99	1 451	8,860,832.27	1,183,829.31	349,776.65

Source: prepared by the author on the basis of (*System...* 2014).

For comparison with the data presented in the table above, it is worth mentioning the average value of annual net disposable income of households of employees – PLN 60,046.14 as well as of households of self-employed people – PLN 60,722.28 (Rocznik... 2015, p. 250). We may thus conclude that households from the „average, small” category and larger ones, namely approx. 14.4% of farms covered by FADN research, are in a better financial situation than average households of employees and entrepreneurs⁴. It is also worth noting that, despite the fact that the average income per person working full-time from a farmer's family in very small and small farms did not exceed PLN 22,000 in one year, it did reach a level that may be identified as satisfactory for larger households assuming the average annual remuneration in the national economy as the point of reference amounting to PLN 45,401.52 in 2014.

Contribution to the pension insurance of farmers

The pension insurance system for farmers⁵ is a defined benefit system in which the total value of contributions paid during the term of insurance is hardly related to the amount of the received pension benefits. The basis for

⁴ However, taking into account the remark formulated in the previous annotation, this means that the actual percentage of farms with such a good economic situation is smaller than the entire population of agricultural farms in Poland.

⁵ Two types of insurance may be distinguished in the system of social security for farmers: pension insurance as well as accident, disease and maternity insurance. Therefore, when analyzing the functioning of the system of social insurance for farmers, the reference is usually made to pension insurance in total.

determining the amount of the contribution for the farmers' pension insurance is the basic pension which is the equivalent of the monthly amount of the lowest pension determined in the Act dated December 17, 1998 on pensions and disability pensions from the Polish Social Security Fund⁶. The basic contribution for pension insurance is 10% of the basic pension per month per each person covered by the insurance. A farmer whose farm has an area larger than 50 ha is also obliged to pay an additional contribution that is dependent on the size of the occupied arable land⁷. The amount of the contribution for the farmers' pension insurance in the years 2005–2014 is presented in Table 5.

Table 5

Quarterly amount of contribution for farmers' pension insurance*

Year	Amount of contribution	Year	Amount of contribution
2005	168.80	2010	213.00 – 1,230.00
2006	179.00	2011	219.00 – 1,269.00
2007	179.00	2012	240.00 – 1,392.00
2008	191.00	2013	249.00 – 1,446.00
2009	203.00	2014	252.00 – 1,467.00

* A uniform contribution for the pension insurance for farmers was valid until the 4th quarter of 2009. The minimum and the maximum value of contribution for this insurance is presented for the years 2010–2014.

Source: prepared by the author on the basis of (*KRUS w liczbach* 2014).

At this point, it is worth noting that the amount of the contribution for the farmers' pension insurance raises numerous controversies and is the cause of lively discussions among people in both government and academic circles. One of the issues raised most often is the irrelevance of the amount of the contribution and the economic potential of agricultural farms. Analyzing the principles of determining the amount of the contributions for the pension insurance for farmers, we may note that the adopted criterion for differentiating the contributions is disproportionate to the actual income of agricultural farms. The area of land, despite the fact that it is measured in conversion hectares, does not reflect the actual economic potential of these farms (e.g. small farms may conduct specialized highly-profitable production). Further-

⁶ Journal of Laws 1998, No 162, item 1,118 as amended. Since March 2015 the basic pension amounts to PLN 880.45.

⁷ The amount of the additional contribution for agricultural farms with a total area of arable land from 50 ha to 100 ha is 12% of the basic pension, for farms with an area of arable land from 100 ha to 150 ha – 24%, for farms with an area of arable land from 150 ha to 300 ha – 36%, and for farms with an area of arable land above 300 ha – 48%. In addition, a person subject to social insurance for farmers who at the same time conducts non-agricultural activities is obliged to pay the additional contribution for pension insurance amounting to 20% of the basic pension.

more, yields of various amounts may be obtained from a similar acreage which is affected by the farmer's knowledge and skills as well as the farm's technical equipment⁸.

The discussions concerning the form of the pension system for farmers as well as the range of instruments for additional pension provisions for farmers often include the issue of limited financial possibilities of this professional group. However, it is worth noting that all farmers who own farms with a total area up to 50 ha (nearly 98% of all agricultural farms (Rocznik... 2015, p. 113)) pay social insurance contributions in the amount of PLN 130 per month (including PLN 88 for pension insurance). At the same time, entrepreneurs that run self-employment companies are obliged to pay a contribution that is more than 5 times higher, amounting to PLN 754.67 (including PLN 653.98 for pension insurance)⁹. Theoretically, it should be easier for farmers to finance expenses related to additional pension provisions. However, we cannot forget that nearly 76% of agricultural farms have an area under 10 ha (Rocznik... 2015, p. 113). Bearing in mind the fact that the average gross value added from 1 ha of arable land estimated by GUS is approx. PLN 2,898, it should be assessed that the income of these farms may prove too small for additional savings to be possible at all (Rocznik... 2015, p. 145).

Amount of agricultural pensions

The agricultural pension consists of two parts: the contributed portion and the supplemental portion¹⁰. The pension's contributed portion is equal to the

⁸ Additionally, it is worth noting that one possible solution to the described problem could be the introduction of accounting at agricultural farms and making the amount of contribution dependent on their actual income. Alternatively, it would also be possible to differentiate the contribution depending on the economic potential of agricultural farms measured with the use of ESU (European size unit). Currently, the perspective of introducing one of these solutions is still in the distant future.

⁹ Data for 2015. The value of the total contribution also includes the contribution for disease insurance amounting to PLN 58.2. The stated value of the contribution for self-employed people is the minimum amount of the social insurance contribution, along with the voluntary disease insurance for self-employed people conducting activities for a period longer than 24 months.

¹⁰ The right to the agricultural pension is granted to the insured person (a farmer, a spouse, a household member) if they reached the retirement age provided for in the Act as well as was subject to pension insurance for at least 25 years. Alternatively, the right to the agricultural pension is also granted to women who are 55 years old and men who are 60 years old, provided that they were subject to pension insurance for at least 30 years. Additionally, the Act also provides for the possibility to receive a partial pension provided that the person receiving the partial pension was subject to pension insurance for 35 years and reached 62 years of age (women) or was subject to pension insurance for 40 years and reached 65 years of age (men). See Act dated December 20, 1990 on social insurance for farmers, Journal of Laws 1991, No 7, item 24 as amended. More information on the functioning of the social insurance system for farmers and on agricultural pensions is available from: *Finanse* (2013, p. 411–430) and *Ubezpieczenia gospodarcze i społeczne* (2009, p. 420–437).

product of the number of years of being subject to pension insurance and 1% of the basic pension. The pension's supplemental part is 95% of the basic pension, and if the number of years of being subject to pension insurance is greater than 20, the supplemental part is decreased by 0.5% of the basic pension for each additional year above 20 years, but not more than up to 85% of the basic pension. It was also adopted that the total amount of the agricultural pension cannot be lower than the basic pension, which in practice means that the minimum agricultural pension is determined at this level. It should also be noted that when a pensioner still conducts agricultural activities the pension's supplemental portion is partially or completely suspended, and when the farmer selects earlier pension, the supplemental part is decreased by 5% of the basic pension for each year separating the entitled from the retirement age.

Table 6 compares the average amount of pension benefits paid by KRUS in the years 2004–2014. In addition, for comparison, the table also includes information on the amount of the basic pension (minimum pension from FUS), the average amount of pension received by the insured in the employee system as well as the average monthly remuneration in the economy. The analysis of presented data leads to the statement that the average pension paid by KRUS in 2014 was nearly twice as low as the average pension from the Polish Social Insurance Institution (ZUS). What is more, its value was only approx. 27% of the average remuneration in the economy at that time. When comparing the average amounts of pension benefits presented in Table 6 with the average amount of income in various types of households contained in Table 2, we may note that the diversity of the level of pensions of employees and people conducting business activities as well as farmers is much greater than it could be assumed from the level of their income.

On the basis of the remarks above, it may be concluded that the reason for the diversity in the amount of pensions in the common and in the agricultural pension system are differences in the structure and functioning of these systems. Without denying the statement formulated in the previous sentence, we should however note that this issue is much more complex. In particular, we should bear in mind the fact that:

- the average amount of agricultural pensions is affected by the low benefits of people insured as household members which were covered by insurance from 1983 and the contributions for which until 1990 were paid in the lowest amount;
- the low value of the pension benefit may result from the partial or complete suspension of the payment of the pension's supplementing part when the farmer did not stop their agricultural activities;
- the structure of the farmers' social security system enables a relatively easy achievement of the right to benefits at the level of the basic pension;

Table 6
Amount of pension benefits from KRUS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average pension benefit from KRUS [PLN]	785.18	793.75	841.03	852.2	675.78	796.2	839.72	873.19	941.7	999.46	1,027.31
Basic pension [PLN]	526.58	562.58	597.46	597.46	636.29	675.1	706.29	728.18	799.18	831.15	880.45
Average pension from ZUS [PLN]	1,288.59	1,305.75	1,360.52	1,396.88	1,523.05	1,651.21	1,755.19	1,844.66	1,938.09	1,954.2	1,970.39
Relation of average pension benefit from KRUS to average pension from ZUS [%]	60.93	60.79	61.82	61.01	44.37	48.22	47.84	47.34	48.59	51.14	52.14
Average remuneration in the economy [PLN]	2,289.57	2,380.29	2,477.23	2,691.03	2,943.88	3,102.96	3,224.98	3,399.52	3,521.67	3,650.06	3,783.46
Relation of average pension benefit from KRUS to average remuneration in the economy [%]	34.29	33.35	33.95	31.67	22.96	25.66	26.04	25.69	26.74	27.38	27.15

Source: prepared by the author on the basis of data from Kwartalne informacje statystyczne KRUS z lat 2004-2014 (Przebieg... 2015, Emerytura... 2013, Emerytura... 2014).

– the formula for determining the amount of pension benefits practically makes their amount independent of the farmers' income, thus preventing the wealthier farmers from obtaining benefits at a level adequate to their earnings.

Instruments of additional pension provisions for farmers

The analysis of income earned by farmers, the amount of pension insurance contributions paid by them, as well as the amount of pension benefits for this group leads to the statement that the pension insurance system for farmers in its present shape does not meet the function of allocation of income in life to the desired extent. There is a relatively numerous group of farmers who would not only be interested in higher pension benefits but would also be willing to incur additional related costs. Taking into account the limited possibilities of conducting a fundamental reform of the farmers' pension insurance system, it seems that the most adequate solution for farmers interested in increasing their income after the end of their professional activities is to use the methods of additional (voluntary) pension provisions.

Basically, the concept of additional pension provisions for farmers is based on assumptions similar to the so-called 3rd pillar of the employees' pension system. According to the assumptions of the reform of the employees' pension system in 1999, the 3rd pillar consists of the voluntary savings of a citizen with their future pension in mind. From this perspective, the 3rd pillar may be seen in two ways (*System ubezpieczeń społecznych* 2014, p. 59, 60). From a narrow point of view, this pillar is based only on forms of gathering savings with the future pension in mind promoted by the state. From a wider point of view, the 3rd pillar is formed by any savings and investments of the insured made in order to collect funds, bearing in mind their use after the cessation of professional activities.

Instruments of additional pension provisions promoted by the state include employee pension schemes (PPE), individual pension accounts (IKE) as well as individual pension security accounts (IKZE). The feature distinguishing these forms of savings is a system of discounts and tax exemptions aimed at encouraging the citizens to gather savings for their future pensions (see Table 7). Without analyzing the detailed principles of the functioning of the designated instruments, we should note that only IKE and IKZE, being individualized forms of saving for the future pension, apply in the case of farmers. Individual farmers, being the subject matter of research, do not work on the basis of an employment agreement and cannot save within PPE which, by definition, are created by employers for employees.

Table 7

Tax incentives in IKE and IKZE

	IKE	IKZE
Taxation	Payment is subject to taxation with personal income tax on general terms. Paycheck is exempted from personal income tax.	Payment is exempted from personal income tax. Paycheck is subject to taxation with flat-rate personal income tax amounting to 10% of income.
Capital gains tax	Gains from investing are not subject to taxation with capital gains tax.	
Inheritance	Funds are inherited and are exempted from the tax on inheritances and donations.	
	Payment for successors without income tax.	Successors are obliged to pay income tax amounting to 10% of revenue.

Source: prepared by the author.

Both IKE and IKZE are kept on the basis of an agreement concluded by the saver with a financial institution (e.g.: a bank, an investment fund, a voluntary pension fund, an insurance company or a foreign financial institution). What is important, the only financial benefit for farmers related to having IKE or IKZE is the exemption from the capital gains tax. Individual farmers do not pay income tax and thus do not have a basis for a deduction from the tax basis for payments made to IKZE, and the lack of taxation of payments from IKE is not a significant incentive from their point of view. This may be the reason why only 1.6% of farmers had savings in IKE, while the analogical percentage value for all households was approx. 7% (*Diagnoza...* 2011, quoted after: WALCZAK 2012, p. 34).

The analysis of the instruments of voluntary pension provisions for farmers, according to the presented concept of the wider point of view, leads to the distinguishing of the two following groups:

- financial instruments offered by external entities (mainly financial institutions) used to invest and multiply generated financial surpluses;
- mechanisms that are based on investing earned financial surpluses in own property to be used after the end of professional activities.

The first indicated group includes, in particular, various types of investments made within the capital market, gathering funds as part of life insurance with an insurance capital fund or pension insurance, saving on a bank deposit (e.g. as part of the so-called systematic savings schemes) as well as investments in real estate or works of art. What is important, these methods are not in any way particularly dedicated to farmers, and their possible use depends on the knowledge concerning these assets as well as the availability of financial funds. These instruments are the object of interest of a number of publications in the field of finance and will not be discussed here in more detail.

The mechanisms that have been classified into the second group include equity release services and annuity agreements. In addition, especially with regards to farmers, we should also indicate the significant importance of direct investment in own property (farm).

Equity release services are financial products aimed at releasing the capital accumulated in real estate. These products are dedicated for the elderly (55-67 years) who are interested in obtaining an additional source of income in exchange for the transfer of property rights to their real estate. The obligations of a financial institution resulting from equity release agreements may have the form of a single payment or monthly payments to the owner who retains the right to live on the real estate being the object of the concluded agreement until the end of their lives. Equity release services may have the form of reversed mortgage or an annuity pension. The main difference between a reversed mortgage and an annuity pension is the moment of the transfer of property rights to the real estate to the bank or another financial institution. In the case of a reversed mortgage, the transfer of the property rights takes place after the death of the real estate's owner, and in the case of the annuity pension – directly after the agreement is concluded. Further differences between these two products are the consequence of a different determination of the moment of the transfer of the real estate's property right¹¹. It is estimated that due to the common lack of the farmers' pension foresight, equity release services in the future may be one of the few effective methods to increase the income of this social group after the end of their professional activities. It is also worth noting that the use of this type of instrument may be additionally stimulated by the migration of young people from rural areas to cities that results in the lack of generation substitutability in agricultural farms.

The annuity agreement imposes an obligation on the purchaser of the transferred real estate to support the seller (annuitant) for their life who should be accepted as a household member and have food, clothes, a place to live, lighting and fuel, as well as medical assistance¹². The annuity agreement may also provide for an obligation for the purchaser to fulfil other benefits, including cash benefits (e.g. pension), for the benefit of the annuitant. From the point of view of pension provisions for farmers, annuity agreements are usually a formalized form of a special type of generational agreement where adult children naturally take over their parents' farms and take on the burden

¹¹ These are, e.g. regulations with regard to the obligation to cover the costs of maintaining real estate, a possible obligation of settlement with heirs for the financial institution taking over the real estate. See CYCOŃ 2014, p. 108.

¹² Art. 908 of the Act dated April 23, 1964 – Polish Civil Code, Journal of Laws 1964, No 16, item 93 as amended.

of their support. It is worth noting that annuity agreements initially constituted the only form of protection available for the inhabitants of rural areas during their old age. Currently, they serve as supplementations in pension provisions for farmers. However with regard to the use of this form of pension provision by farmers, there is a basic question as to whether when parents working on a farm (being the subject of the annuity agreement) were not able to earn a surplus allowing them to finance the pension, will children taking over the farm be able to support themselves and their parents at the same time, invest in the development of the farm and finance their future pensions?

A method of pension provisions for farmers similar in nature to the annuity agreement are the so-called direct investments in own farms¹³. As opposed to annuity agreements, they require a farmer's intentional action during their professional activities. Generally speaking, direct investments in own agricultural farms come down to purchasing new real estate (land), expanding and modernizing owned buildings and utility rooms as well as purchasing elements of equipment and technical devices. The primary objective of this type of investment is the growth in the economic value of the owned farm by increasing the owned acreage and the number of livestock as well as by increasing the efficiency of work. Assuming the existence of family bonds that make children at one point take over the farm management, investments made in the development of the farm are, in fact, investment in workplaces for these children. If we assume that parents who stopped their professional activities will create a common household with their children, investments in own agricultural farms may substantially contribute to improving their standard of living after their retirement. As D. Walczak correctly pointed out, investments in own farms may prove one of the best and the least risky forms of pension provisions for farmers (WALCZAK 2012, p. 43).

Summary

When formulating conclusions from the conducted research, we should firstly note that the economic potential of agricultural farms in Poland is diverse. As compared to the entire working population, the vast majority of agricultural farms earn a low income. However, there are more than a few agricultural farms (over 100,000) where the economic situation is at a level similar to or better than the average Polish household. The analysis of the structure and functioning of the agricultural social security system makes it possible to state that people working in agriculture are a social group that are

¹³ More on this subject in: WALCZAK (2012, p. 33).

especially exposed to the risk of receiving low pension benefits in the future which are inadequate with respect to earned income. With regards to the research hypothesis formulated in the introduction, we should thus state that there are no grounds to reject it. In other words, this means that farmers in a better financial position, wishing to guarantee a satisfactory income after reaching the retirement age, should use the methods of voluntary pension provisions. The detailed analysis of these types of methods leads to the conclusion that instruments of additional savings for the future pension promoted by the state are unavailable for farmers (PPE) or hardly attractive for them (IKE and IKZE). On the other hand, alternative forms of savings with the pension in mind, excepting for strictly financial instruments which were not the object of this research, include particularly interesting services, such as equity release types and investments in own farms.

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