Scottish Land & Estates
Landowners Working for the Countryside

Information

Reference: Agriculture 02

Pensions Reform and Agricultural Workers

Background

- The Independent Pensions Commission (Turner Report) proposals included introduction of a National Pensions Savings Scheme, the reform of the state system and a successor body to the Pensions Commission reporting every four years**.**

- In May 2006 the Government issued a White Paper proposing new personal savings accounts (with compulsory employer contributions) and automatic enrolment into the personal account scheme or an employer's own scheme (but with freedom to opt out).

- The Pensions Act 2007 paved the way for a delivery authority to set up the personal savings accounts.

- The Government published its response to consultation on the personal accounts scheme in June 2007. It confirmed the scheme will be trust-based, with an annual contribution limit of £3,600 (based on 2005 earnings, uprated).

- A Pensions Bill was published on 5 December 2007. It includes automatic enrolment for employees over 22 from 2012 or admittance to employer's own scheme (subject to minimum benefit or contribution safeguards).

- In February 2008, the Personal Accounts Delivery Authority launched consultation on the charging structure for personal accounts.

- In May 2008, the European Commission confirmed that employers could autoenrol employees into contract-based schemes.

- In June 2008, the Government announced an amendment to the Pensions Bill which would prevent employers from forcing or encouraging employees to opt out of a workplace pension scheme.

- In November 2008 the three Agricultural Wages Boards in the UK held a joint meeting in Edinburgh to discuss pension provision for agricultural workers.

Personal Accounts

From 2012, employees aged over 22 and earning more than £5,000 a year who are not members of a company pension scheme will be automatically enrolled into low-cost personal accounts, but they will have the choice to opt out.

Employees will contribute 4% of their pay into the scheme, with employers paying in 3%, and the government contributing 1% as tax relief.

The government has set the contributions ceiling at £3,600. This is in 2005 terms and will be raised in line with earnings.

The compulsory contributions for employers will be phased in over three years and will be limited, so they are only paid on earnings between £5,000 and £33,500. (This is in 2006-07 terms and will be raised in line with earnings.) Currently, this means the maximum that an employer must pay into each worker's pension is £855 a year.

There will also be an annual limit on the amount of money an individual can put into their account. This will be £10,000 in the first year to allow individuals currently without access to a good quality occupational pension to save in other, non-pension products before 2012 and then to move them to personal accounts.

After 2012, the limit of £3,600 a year will apply.

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Agricultural Workers
The SAWB considered the issue of pensions for agricultural workers following the Turner report in 2006.

At that time the SAWB concluded that it has no authority to establish its own pension scheme for agricultural workers in Scotland. It can, however, under the Agricultural Wages (Scotland) Act 1949 determine minimum terms and conditions of employment. Given this the Board can oblige employers to offer access to a pension scheme and it can also require employers as a term and condition of employment to contribute to an employers non-State pension, whether work-based or privately arranged.

The Board indicated in 2006 that the following considerations should be borne in mind in deciding the basis of any pension provision:

- any provision with regard to requiring employers to contribute to employees' non-State pensions would assume a minimum contribution also from the employee;

- an employee would need to complete a period of continuous employment, before the employer would be required to contribute to a non-State pension scheme for that employee;

- any provision would' apply to all employees meeting length of employment qualification criteria, irrespective of the size of the holding on which they are employed;

- where an employee selects to join the work-based pension scheme offered by the current employer, the employer would be required to contribute to it on that employee's behalf;

- where an employee has an existing pension arrangement Or wishes to join a pension scheme other than that offered by the current employer, the employer would be required to contribute to that scheme if it accepts employer contributions;

- the decision to start a pension will lie wholly with the employee SAWB is not considering the use of automatic enrolment

- there would be no cash alternative available to employees in lieu of an employer's contribution to a pension scheme

Next Steps
In early 2009 the three Agricultural Wages Boards in the UK are to meet the Department of Work and Pensions to explore the implications of the 2012 reforms for agricultural workers. This meeting will inform further discussions within the Boards of the need (or otherwise) for separate pensions arrangements for agricultural workers.

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