

Senator Sees Big Benefits in Defined Contributions

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Illinois state Sen. Bill Brady (R-Bloomington) said a defined-benefit pension plan and a defined-contribution plan such as a 401(k) "provide the same benefits under the actuarial averages, if the contributions are made and invested the same."

Brady plans to introduce legislation that would put newly hired local and state government workers into a defined-contribution program instead of Illinois' existing pension system.

Advantages to employees of a defined-contribution plan include the ability to transfer benefits from one job to another, whether in government or the private sector, Brady said.

No 'Job Lock'

"This eliminates the problem of 'job lock,'" Brady said. "Some workers stay in a job simply because they don't want to lose pension benefits. There is also arguably greater inheritability and survivability benefits with a defined-contribution plan. And there would be no Social Security offset for those who wish to seek employment outside of government."

A provision in federal law reduces the Social Security benefit paid to the spouse of a retired, disabled, or deceased worker who receives a pension from government employment (federal, state, or local) that was not covered by Social Security. The offset reduction in Social Security spousal benefits is equal to two-thirds of the government pension.

No Deferred Payments

"A big benefit to taxpayers is they know they are not being misled," Brady said. "The state has to make contributions under a defined-contribution plan. Politicians can't defer payments and leave future generations to pay for it."

With Republicans in the minority in the General Assembly, Democrat Rod Blagojevich as governor, and government employee unions wielding heavy clout, Brady said he knows he'll have a tough time advancing his bill.

"Union leaders like the system the way it is because it gives them more influence over their members," Brady acknowledged. "And the Blagojevich administration opposes it because they believe it would create a cash flow problem, and they're right. Currently they're not funding the actuarial liability."

-- Steve Stanek.