



CHICAGO PENSION TALKS A STEP IN RIGHT DIRECTION

By Alex Voorman

CHICAGO-The pension reform committee of Chicago has at last taken a bold step in solving their ballooning pension liabilities. They are talking about shifting newly hired city employees from the current pension system to a defined-contribution 401(k) retirement plan. This is a step in the right direction if we ever want to solve the pension problem, which has crippled governments at all levels.

Naturally, this idea has been met with opposition from local unions, who say they don't want to deal with two "classes" of union members, with some receiving pensions and others being given 401(k)s. Under the current system, however, it will cost Chicago taxpayers an extra \$400 million in property taxes every year to keep offering pensions.

Currently, city employees can retire at age 55 with 34 years of employment and receive 75 percent of their highest salary in pension benefits. Many in the private sector are all too aware that retiring with a lush pension is nothing more than a pipe dream at best, to say nothing of being able to do so at the relatively young age of 55. Yet it is precisely these people who work into their 70s and pay for their own retirements that are expected to foot the bill for these pensions. The city pension funds already have \$10 billion in unfunded liabilities, and unless something is done, this number will keep going up, with taxpayers forced to pay for it. Chicago already has the highest sales tax in the nation, and these taxes are already hurting the local economy, since many people have decided to do their shopping elsewhere.

The unions have suggested raising the retirement age to delay pension payments, but this only delays the problem while doing nothing to solve it. People are living longer these days, and as a result, they are collecting more pension benefits than ever before. The benefit of a 401(k) is that a person will get back exactly what they put in, plus interest. With a pension, it is very possible to live long enough to the point where you start collecting monies beyond your contribution. This is leading to a huge pension shortfall, and taxpayers are expected to foot the bill for it, leaving taxpayers with less money to fund their own retirement.

Something has to be done. The longer the government waits on pension reform, the worse the problem will become. If nothing is done, cities, counties, and the state will wind up bankrupt, because taxpayers will not pay these excessively high taxes.

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