



MISSOURI SHOULD MOVE TOWARDS DEFINED CONTRIBUTION PLANS TO ENSURE THE LONG TERM FUNDING OF OUR WORKERS' RETIREMENT PLANS.

DEFINED BENEFIT VS DEFINED CONTRIBUTION

Traditional **defined benefit** plans guarantee an employee a specified retirement benefit, regardless of the health of the economy at the time of the employee's retirement.

With **defined contribution** plans, such as a 401(k), contributions from the employer and/or employee are invested during the employee's career and funds are made available upon retirement.

WHY DO WE NEED PENSION REFORM?

- Nationwide, state public pension funds are nearly \$1 trillion underfunded, not including the unfunded liabilities of local pension systems.¹
- Missouri's estimated unfunded liabilities for state and local pension plans is estimated as high at \$89 billion.²
- Missouri's public pension plans cover over 295,000 active members and over 290,000 non-active members.
- When traditional defined benefit public pension plans are underfunded, taxpayers are on the hook for benefits promised to retirees.
- In Illinois, widely considered the state with the worst pension crisis, **taxpayers contribute over three times what state employees contribute to their own retirements.**³ Missourians should not be put into a similar situation.

2017 LEGISLATION TO WATCH

SENATE BILL 141 - SEN. EMERY

Provides that newly elected statewide elected officials and members of the General Assembly shall participate in a 401(a) defined contribution plan.

¹ <http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2015/07/the-state-pensions-funding-gap-challenges-persist>

² <http://showmeinstitute.org/publication/public-pensions/funding-status-state-and-local-government-pensions-missouri>

³ <https://www.illinoispolicy.org/reports/pensions-101-understanding-illinois-massive-government-worker-pension-crisis/>