OPPORTUNITY Ohio

Move Elected Officials to Defined Contribution Plans

Last week I sketched out why Ohio needed to replace term limits with a twenty-year time limit for all elected officials in the state legislature and statewide elected positions. In conjunction with that reform to increase accountability among elected officials is another key reform: move elected officials from the gold-plated government defined benefits plan they currently are eligible for to a defined contribution 401(k) system like most Ohioans have.

For too many elected officials, the lure of getting a lifetime government pension is simply too strong so they do everything they can to remain on the public dole. That is why so many jump back and forth between the Ohio House and Ohio Senate despite term limits and, when that gravy train ends, run for a local government boondoggle or get appointed to a board or commission. Every government job helps them accrue more time in the public pension system so they can hit the lottery with a pension that will pay them six figures for the rest of their lives.

Back in 2011 when we both of worked at The Buckeye Institute for Public Policy Solutions, O2 Visiting Fellow Mary McCleary published an analysis of what it would cost to move all government workers in Ohio from defined benefits plans to defined contribution plans, as Michigan did back in 1997. That analysis unequivocally showed the long-term benefit to Ohio taxpayers of such a reform. Unfortunately, policymakers failed to adopt that recommendation.

Nonetheless, simply because Ohio's public sector workers have a defined benefit pension does not mean that its elected officials also should have such a pension. Moving elected officials to a defined contribution system certainly will save Ohio taxpayers money, as the employer-taxpayer share should be capped at the private sector employer annual contribution average in Ohio. In most cases, the private sector employer share is 4%-to-6% versus the 14% taxpayers currently must contribute to the elected official's government pension. Saving money, however, isn't the primary reason to do so; rather, the primary reason is to eliminate the biggest incentive elected officials have to remain in elected office come hook or crook.

Far too many of Ohio's elected officials come to office without any real ideas or plans on how to get Ohio back to the economic powerhouse it was through the 1970s. For some, it is the most lucrative job they've ever held. If you don't believe me, ask your state representative, state senator, city councilperson, county commissioner, school board member, or township trustee to show you his or her Social Security Lifetime Earnings Record. If they won't show it to you, you'll know why.

I'll never forget meeting with a now-retired Member of Congress who was complaining about pushback he was getting from TEA Party members. He noted that he "didn't need this grief" and "could make a lot more in the private sector." Interestingly, his career before becoming an elected official was as a real estate agent. According to the data, as of 2018, the average salary in Ohio for real estate agents was $35,190. Members of Congress make $174,000 in base salary plus perquisites like free air travel in which they accumulate miles for personal use. Ohio legislators make $60,584 plus get paid per diems for when they are in Columbus and those jobs are considered part-time jobs. Saying you can make a lot more is often easier than actually doing so.

By giving elected officials access to the defined benefit government pension system, getting them to serve a reasonable time then move back to the private sector becomes impossible. They know they have a good gig and do what they can to keep it. It is time to make that gig a little less financially attractive so we can get fresh blood and ideas into the system. Ohio can't afford thirty more years of the same caliber of elected officials clinging to their jobs so they can retire with a six-figure taxpayer funded government pension, especially when those elected officials have done little more than weakly manage Ohio's decline.