



## The Daily Dish

# A Cautionary Pension Lesson

DOUGLAS HOLTZ-EAKIN | DECEMBER 13, 2018

### Eakinomics: A Cautionary Pension Lesson

As their name suggests, multiemployer pensions (MEPs) are collectively bargained retirement plans that are funded jointly by more than a single employer and that provide retirees with a defined benefit. There are about 1400 such retirement plans, many of which are already [significantly underfunded](#). This, however, is just the beginning of the discussion of the risks facing the MEP system. On top of the existing funding shortfalls, there are problems that may develop or deepen in the [future](#). The system faces a projected shortfall of \$638 billion, and over time more and more plans are expected to fail. Thus, there will either be distress among beneficiaries or a costly federal intervention that will grow in magnitude the longer the system is left without reforms.

Congress was sufficiently concerned with the issue that it created the Joint Select Committee on Solvency of Multiemployer Pension Plans ([JSCSMPP](#)) to develop reforms and providing expedited procedures to consider them in Congress. To date, no agreement has been reached, at least in part because many policymakers are loathe to provide taxpayer funds to the MEP system. They argue that such a federal intervention will set a bad precedent and present moral hazard risk — MEPs would be less strict in meeting their obligations because they might anticipate a future federal influx of resources.

It is a fine argument, but that ship sailed long ago. As nicely [documented](#) by AAF's Gordon Gray and Alexander Specht, there is a rich history of Congress providing taxpayer funds to restore the solvency of programs that were intended to be self-financing. In 2016 to 2018, the Social Security Disability fund got \$150 billion (which was shifted from the Social Security Retirement Fund), in 2013 the National Flood Insurance Program received \$9.7 billion, in 2012 the Postal Service received \$11 billion, and the list goes on.

So the reality is that if left unchecked, the underfunding of the MEP system will overwhelm

the resources of the [Pension Benefit Guaranty Corporation](#) (PBGC) — the federal backstop created in 1974 to protect the retirement income of American workers participating in private sector defined benefit pension plans. If that moment were to arrive, Congress would have its checkbook out quicker than the AAF staff hits the bar at a holiday party.

It simply is not a choice of committing federal funds or not. For Congress, it is one of those “pay me now or pay me later” moments, and the goal should be to minimize the necessary infusion.