The Daily Dish

JSCSMPP

DOUGLAS HOLTZ-EAKIN | JULY 17, 2018

Eakinomics: JSCSMPP

Pensions might not be America's greatest strength. Yes, many workers benefit from their employer-provided pensions. But in firms that ultimately face bankruptcy, there often aren't sufficient funds to meet pension obligations and the plans are then transferred to the Pension Benefit Guaranty Corporation (PBGC). The PBGC is awkwardly named because it does not actually guarantee a full pension, and in the foreseeable future it will run out of money as well. The *pièce de résistance*, however, remains Social Security — the social insurance safety net that is the source of financial risk, is unsound and unsafe, and will not even be a net without reforms.

Sneaking into the discussion, however, are the unique challenges of the multi-employer pensions. As nicely summarized by AAF's Gordon Gray and Anupam Roy, "Multiemployer defined-benefit plans are collectively bargained, i.e. union, pension plans maintained by more than one employer. Over 10 million workers are covered under about 1,413 such plans. The system as a whole has deteriorated in recent years, and some plans are severely underfunded. The likely collapse of these plans could precipitate federal intervention. Indeed, recent legislation has already attempted to mitigate this challenge, but is unlikely to alter materially the pending insolvency of some large plans."

Which brings us to the Joint Select Committee on Solvency of Multiemployer Pension Plans (JSCSMPP), created by Congress on February 9, 2018. The joint committee is charged with proposing policies (and actual legislation) that will significantly improve the solvency of multi-employer pension plans. A report with its findings and recommendations is due by November 30, 2018. The JSCSMPP has held five hearings. Various problems of the current systems and solutions have been put forth by the witnesses who participated in these hearings.

But don’t expect a miracle. The problems are large. Forty percent of plans are underfunded, and the the system as a whole faces net liabilities of $495 billion. 130 plans with over three million participants will likely face insolvency over the next 15-20 years. A solution that doesn’t simply boil down to taking in more money (taxes) or spending less (benefit cuts) will require creativity and compromise. That is a particularly arduous task in the current climate, but the JSCSMPP represents a concerted effort. Stay tuned.