As a joint select committee in Congress considers how to handle underfunded multiemployer pension plans, AAF’s Director of Fiscal Policy Gordon Gray examines the risks the current system poses to retirees, the federal budget, and the economy. He concludes that the liabilities and potential costs to taxpayers will only grow with time if Congress does nothing to address the system’s shortfalls.

An excerpt:

Partially animating concern for the health of the overall multiemployer pension system is the possible risk of “contagion.” The contagion argument as applied to multiemployer pensions states that a failure of a multiemployer plan or a major contributing employer could cause the failure of other multiemployer plans in which the affected employers also participate. The exact scope of the economic risk is difficult to pinpoint, but cascading failure could pose potential economic risks over and above the direct pension losses retirees may experience.

Read more here.