March 15, 2017

Health Benefits for United Mine Workers of America Retirees

Section 167 of P.L. 114-254 (H.R. 2028, Further Continuing and Security Assistance Appropriations Act, 2017) contained provisions that (1) expanded eligibility for calendar year 2017 for a plan that provides health benefits for eligible retired members of the United Mine Workers of America (UMWA), a labor union that primarily represents coal mine workers and (2) authorized federal financial assistance to the plan through April 30, 2017, to pay for the benefits of the newly eligible retirees.

On March 1, 2017, the UMWA sent notices to these newly eligible retirees that their benefits would end on April 30, 2017. Legislation proposed in the 115th Congress would permanently extend eligibility for the health plan and for the transfer of federal financial assistance to the plan to pay the benefits of the newly eligible retirees.

This In Focus provides background on the issue of health benefits for UMWA retirees. For information on pension benefits for UMWA retirees, see CRS In Focus IF10617, *Pension Benefits for United Mine Workers of America Retirees*.

UMWA Retiree Health Plans

Eligible UMWA members receive post-retirement health and pension benefits from one of three multiemployer health benefit plans and one multiemployer pension plan. A multiemployer plan is sponsored by employers in the same industry and is maintained as part of a collective bargaining agreement. These multiemployer retiree health plans are the

- Combined Benefit Fund (CBF), which was established as a result of a merger of the UMWA 1950 Benefit Plan and Trust and the UMWA 1974 Benefit Plan and Trust,
- UMWA 1992 Health Benefit Plan (1992 Plan), and
- UMWA 1993 Health Benefit Plan (1993 Plan).
- The CBF and the 1992 Plan were authorized by the Coal Industry Retiree Health Benefit Act of 1992 (Coal Act), passed as part of The Energy Policy Act of 1992 (EPACT; P.L. 102-486). The 1993 Plan was created by UMWA's 1993 collective bargaining agreement (the National Bituminous Coal Wage Agreement of 1993).

The amount of benefits and number of participants for the plans were as follows:

- the CBF paid $80.7 million in benefit payments to 9,636 participants from October 1, 2014, to September 30, 2015,
- the 1992 Plan paid $47.6 million in benefit payments to 4,512 participants in calendar year 2015, and
- the 1993 Plan paid $63.6 million in benefit payments to 6,139 participants in calendar year 2015.

The plans are funded by (1) premiums paid by an "assigned operator," which is a plan participant's former employer or another responsible party if ownership of the former employer has changed, and (2) two sources of federal financial assistance. These sources of federal financial assistance are interest transferred from the Abandoned Mine Reclamation Fund and supplemental payments from the General Fund of the U.S. Treasury. There is an annual cap on transfers from the General Fund of $490 million per fiscal year, including grants to certified states and tribes that have reclaimed their priority abandoned coal mining sites.

- The three UMWA health plans received $179.5 million in financial assistance from the U.S. government in FY2016 and, prior to the enactment of P.L. 114-254) were estimated to receive $164.7 million for FY2017.

Recent Developments for Certain UMWA Retirees

The retirees who became eligible for the 1993 Plan in 2017 as a result of P.L. 114-254 worked for coal mining companies that commenced bankruptcy proceedings in either 2012 or 2015. Three of these companies were Patriot Coal, Walter Energy, and Alpha Natural Resources. The UMWA had been administering a Voluntary Employee Benefit Association (VEBA) with three separate funds to provide health benefits to those companies' retirees. A VEBA is a tax-advantaged trust fund created to finance employee benefits, such as retiree health insurance benefits. At the time of the VEBA's creation, the retirees were not eligible for any of the UMWA multiemployer health plans.

In March 2016, the International President of the UMWA indicated that the UMWA was responsible for the health benefits of about 12,150 Patriot Coal retirees and dependents, 2,800 from Walter Energy, and 3,000 from Alpha Natural Resources.

Patriot Coal

Patriot Coal was created in 2007 as spin-off from Peabody Energy and was one of the largest coal mine operators in the United States. Patriot filed for bankruptcy on July 9, 2012, and emerged from bankruptcy on December 18, 2013. In its bankruptcy settlement, Patriot Coal and Peabody Energy agreed to fund a VEBA to meet its obligation under the collective bargaining agreement to provide retirees with health benefits. Peabody Energy had an obligation for some of Patriot Coal's benefit obligations because of the past connections between the two companies.

On April 13, 2015, Peabody Energy filed for bankruptcy and on May 12, 2015, Patriot Coal again filed for bankruptcy. As part of its bankruptcy settlement, in December 2015, Peabody Energy agreed to contribute $7.5 million per month from January 2016 to October 2016 to the VEBA established for Patriot workers. The Patriot VEBA had been expected to exhaust its funds by end of 2016. P.L. 114-254 made the retirees in the VEBA eligible for the 1993 Plan for the year 2017 and authorized federal financial assistance to the plan for these workers through April 30, 2017.

Alpha Natural Resources and Walter Energy

Alpha Natural Resources and Walter Energy were large coal mining companies that participated in the UMWA's collective bargaining agreement. Both companies filed for bankruptcy in 2015. As part of their bankruptcy settlements, the companies established UMWA-administered VEBAs to fund retiree health benefits. The VEBAs covering these retirees were expected to exhaust their funds mid-2017. P.L. 114-254 made the retirees in these VEBAs eligible for the 1993 Plan for the year 2017 and authorized federal financial assistance to the plan for these workers through April 30, 2017.

Legislation Enacted in the 114th Congress to Provide Health Benefits for Certain UMWA Retirees

Section 167 of P.L. 114-254 (H.R. 2028, Further Continuing and Security Assistance Appropriations Act, 2017) expanded eligibility only for calendar year 2017 for the 1993 Plan. (This section was a modification of provisions in S. 3470 in the 114th Congress that would have permanently expanded eligibility in the 1993 Plan for the retirees of Patriot Coal, Alpha Natural Resources, or Walter Energy.)

The newly eligible retirees are those whose employers were part of a bituminous coal industry wage agreement and whose health benefits would be reduced or eliminated as a result of a bankruptcy that commenced in 2012 or 2015. Those who were newly eligible were retirees from Patriot Coal, Alpha Natural Resources, or Walter Energy.

Section 167 of H.R. 2028 also required the VEBA to transfer any funds remaining in the VEBA to the U.S. Treasury. The VEBA was expected to have sufficient funds to pay benefits for the Alpha Natural Resources and Walter Energy retirees at least through mid-2017.

The Congressional Budget Office (CBO) estimated that Section 167 of P.L. 114-254 would reduce the federal budget deficit by $2 million in FY2017. The amount of federal financial assistance transferred to the UMWA health plans is expected to be $49 million and is expected to be offset by (1) $47 million in transfers from the UMWA VEBA to the U.S. Treasury and (2) $4 million in reduced outlays by federal health programs.

Legislation Introduced in the 115th Congress that Would Provide Health Benefits to Certain UMWA Retirees

In the 115th Congress, legislation has been introduced that would permanently extend eligibility for the 1993 Plan to those individuals who became eligible for the plan as a result of the P.L. 114-254 provisions.

H.R. 179, the Miners Protection Act of 2017, introduced by Representative David McKinley, and S. 175, the Miners Protection Act of 2017, introduced by Senator Joe Manchin, are similar bills that would, among other provisions, permanently extend eligibility for the 1993 Plan to Patriot Coal, Alpha Natural Resources, and Walter Energy retirees and authorize transfers of federal funds to the plan to pay for the additional benefits. The bills would also transfer federal funds to the pension plan that covers UMWA's retirees (the UMWA 1974 Pension Plan). The combined amount of transfers from the General Fund of the U.S. Treasury to the UMWA health and pension plans would be subject to an annual cap of $490 million, also including the grants to certified states and tribes noted above.

S. 176, the HELP for Coal Miners Health Care Act of 2017, introduced by Senator Mitch McConnell, would, among other provisions, permanently extend eligibility for the 1993 Plan to Patriot Coal, Alpha Natural Resources, and Walter Energy retirees and authorize transfers of federal funds to the plan to pay for the additional benefits. S. 176 does *not* contain a provision that would authorize the transfer of federal funds to the UMWA 1974 Pension Plan.

For Further Information

For further information on these issues see

- The Joint Committee on Taxation, *Description Of The Chairman's Mark Of The Miners Protection Act Of 2016*, JCX-84-16, September 19, 2016, https://www.jct.gov/publications.html?func=startdown&id=4956;
- UMWA Health and Retirement Funds, *Health and Medical Benefits*, http://www.umwafunds.org/Health-Medical-Benefits/Pages/default.aspx;
- Senate Finance Committee Hearing, The Multiemployer Pension Plan System: Recent Reforms and Current Challenges, *Testimony of Cecil Roberts, International President of United Mine Workers of America*, March 1, 2016, https://www.finance.senate.gov/download/03012016-roberts-sfc-witness-testinmony; and
- CBO estimate for the Further Continuing and Security Assistance Appropriations Act, 2017, Table 3, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/costestimate/H.R. 2028.pdf.

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IF10616

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IN FOCUS

March 15, 2017

Pension Benefits for United Mine Workers of America Retirees

The United Mine Workers of America (UMWA) is a labor union that primarily represents coal mine workers. Eligible UMWA members receive post-retirement health and pension benefits from one of three multiemployer health benefit plans and one multiemployer pension plan. A multiemployer plan is sponsored by employers in the same industry and is maintained as part of a collective bargaining agreement. This In Focus only concerns pension benefits. For health benefits information, see CRS In Focus IF10616, *Health Benefits for United Mine Workers of America Retirees*.

UMWA Pension Benefits

Eligible retired UMWA mine workers receive pension benefits from the UMWA 1974 Pension Plan and Trust (1974 Plan). The 1974 Plan is a multiemployer defined benefit (DB) pension plan. In multiemployer DB plans, participants typically receive a monthly payment in retirement that is based on a formula that uses the length of service and a benefit rate. For example, the monthly benefit in retirement might be $40 per year of service. An individual with 30 years of service would receive a monthly benefit of $40x30 = $1,200 per month or $14,400 per year.

Multiemployer pension plans pool risk to minimize financial strain if one or more employers withdraw from the plan. However, in recent years, an increasing number of employers have left multiemployer pension plans, either voluntarily or through employer bankruptcy. As a result of employer withdrawals and declines in the value of plan assets, there are insufficient funds in the plan from which to pay all of the benefits promised to participants. The trustees of the 1974 Plan estimate that it will become insolvent in 2025 or 2026.

Table 1 summarizes information about the 1974 Plan in the 2014 plan year (the most recent information available).

Table 1. United Mine Workers of America 1974 Pension Plan and Trust

(2014 plan year information)

	1974 Pension Plan
Active Participants	9,218
Retired Participants and Beneficiaries Receiving Payments	90,754
Terminated Vested Participants	6,676
Number of Employers Obligated to Contribute to Plan	44
Benefit Payments	$618.5 million
Employer Contributions	$97.1 million
Plan Assets (Current Value)	$4,165.0 million
Plan Assets (Actuarial Value)	$4,362.5 million
Plan Liabilities (under immediate gain and unit cost methods)	$6,153.2 million
Plan Liabilities (under "RPA '94" method)	$9,734.7 million
Plan Underfunding (Assets - Liabilities) Using Actuarial Values of Assets and Immediate Gain Value of Liabilities	$1,790.7 million
Funding Ratio (Assets/Liabilities) Using Actuarial Values of Assets and Liabilities	70.9%
Plan Underfunding (Assets - Liabilities) Using Current Value of Assets and RPA '94 Liabilities	$5,569.7 million
Funding Ratio (Assets/Liabilities) Using Current Value of Assets and RPA '94 Liabilities	42.8%
Number of Participants on Whose Behalf No Contributions Were Made	46,537

Source: CRS analysis of the plan's Form 5500, available via search on the Employee Benefits Security Administration (EBSA) webpage, at https://www.efast.dol.gov/portal/app/disseminate?execution=e1s1.

Notes: The 2014 plan year ran from July 1, 2014, to June 30, 2015, for the 1974 Pension Plan. Multiple values of plan assets and plan liabilities occur because pension plans are required to calculate their values using several methods.

Role of the Pension Benefit Guaranty Corporation

The Pension Benefit Guaranty Corporation (PBGC) is a federal government agency created by the Employee Retirement Income Security Act of 1974 (ERISA; P.L. 93-406) to protect the benefits of participants in private-sector DB pension plans. When a multiemployer DB pension plan becomes insolvent and is unable to continue to pay participants their promised benefits, PBGC provides financial assistance in the form of loans (which are not expected to be repaid) made to multiemployer DB plans. As a condition for the loans, plans must reduce participants' benefits to a statutory maximum benefit. Since 2001, the statutory annual maximum benefit has been $12,870 for an individual who participated in a plan for 30 years. The benefit is lower for individuals with fewer than 30 years of service in the plan.

Table 2 provides FY2016 financial information on PBGC's multiemployer insurance program.

Table 2. Selected FY2016 Data for Pension Benefit Guaranty Corporation (PBGC) Multiemployer Insurance Program

(in billions of dollars)

Premium Revenue	$0.282
Investment Income	$0.143
Financial Assistance Paid	$0.113
Total Assets	$2.2
Total Liabilities (Expected Future Financial Assistance)	$61.0
Total Deficit (Assets – Liabilities)	$58.8

Source: PBGC FY2016 Annual Report.

PBGC expects the funds in its multiemployer insurance program to be exhausted within 10 years: it indicated that there is a more than 90% chance of insolvency by the end of 2028, and a 98% chance of insolvency by 2035. If PBGC becomes insolvent, no provisions in law provide U.S. Treasury assistance. ERISA, referring to PBGC, states that "the United States is not liable for any obligation or liability incurred by the corporation." (See 29 U.S.C. 1302(g)(2).)

The insolvency of the UMWA 1974 Pension Plan could result in the insolvency of PBGC. For example, from July 1, 2014, through June 30, 2015, the UMWA 1974 Pension Plan paid $618.5 million in benefits to plan participants. In comparison, in FY2016, PBGC received $282.0 million in premium revenue, paid $113.0 million in financial assistance to 65 multiemployer plans, and had $2.2 billion in assets. The annual financial assistance required for the UMWA 1974 Pension Plan would likely be several times greater than the annual financial assistance PBGC currently provides and current premium revenue, although the exact amount would depend on a number of factors, including the total amount of benefit reductions for participants who receive benefits greater than the maximum guarantee.

Multiemployer Pension Reform Act of 2014 and the 1974 Pension Plan

The Multiemployer Pension Reform Act of 2014 (MPRA; enacted as Division O in the Consolidated and Further Continuing Appropriations Act, P.L. 113-235) was enacted to provide multiemployer DB pension plans with options to avoid insolvency. The two main options available to plans are (1) benefit reductions and (2) plan partitions. It is possible that the 1974 Plan would not be approved to reduce participants' benefits because benefit reductions might be insufficient to prevent the plan's insolvency. For example, if only a small number of participants' benefit amounts are higher than PBGC guarantee benefit levels, then the plan would not be able to reduce benefit levels by amounts sufficient to avoid insolvency. The average benefit payment in 2014 was about $6,900 per year.

The 1974 Plan might be a candidate for a partition. Former PBGC Director Joshua Gotbaum said that "absent legislation, the UMWA plan would clearly be a candidate for partition." In a partition, PBGC gives approval to divide a plan that meets specified criteria into two plans. The partition's goal is to restore the original plan to financial health by relieving the plan of some of the benefit obligations to participants whose employers no longer contribute to the plan.

Legislation Introduced in the 115th Congress That Would Provide Federal Financial Assistance to UMWA Plans

In the 115th Congress, legislation has been introduced that would provide federal financial assistance to the 1974 Plan.

H.R. 179, the Miners Protection Act of 2017, introduced by Representative David McKinley, and S. 175, the Miners Protection Act of 2017, introduced by Senator Joe Manchin, are similar bills that would, among other provisions, transfer funds from the General Fund of the U.S. Treasury to the 1974 Plan. The amount to be transferred would be any amount remaining within an annual cap of $490 million after funds are first transferred from the General Fund to three UMWA multiemployer health plans and to certified states and tribes that have reclaimed their priority abandoned coal mining.

S. 176, the HELP for Coal Miners Health Care Act of 2017, introduced by Senator Mitch McConnell, would expand eligibility for one of the multiemployer health plans and authorize transfers of federal funds to the plan to pay for the additional benefits. S. 176 would not authorize the transfer of federal funds to the UMWA 1974 Pension Plan and would not make any changes to the 1974 Plan.

For Further Information

See the following for further information on these issues:

United Mine Workers of American 1974 Pension Plan Summary Plan Description
http://www.umwafunds.org/Pension-Survivor-Health/Documents/2014_74PTSPD.pdf

PBGC MPRA Report
https://www.pbgc.gov/documents/MPRA-Report.pdf

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