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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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IF10617

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