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Health and Pension Benefits for United Mine Workers of America Retirees: Recent Legislation

The United Mine Workers of America (UMWA) is a labor union that primarily represents coal mine workers. Eligible UMWA members receive postretirement health and pension benefits from one of three multiemployer health benefit plans and one multiemployer pension plan. A multiemployer plan is sponsored by more than one employer and is maintained as part of a collective bargaining agreement. Legislation in the 116th Congress would expand the eligibility for retiree health plans to receive federal transfers and authorize federal transfers to the UWMA pension plan.

UMWA Retiree Health Plans

The three multiemployer retiree health plans for UMWA members are (1) the Combined Benefit Fund (CBF), (2) the UMWA 1992 Health Benefit Plan (1992 Plan), and (3) the UMWA 1993 Health Benefit Plan (1993 Plan). **Table 1** summarizes information about the health plans in the 2017 plan year (the most recent information available).

Table 1. UMWA Retiree Health Plans

2017 Plan Year

2017 Plan Year	Combined Benefit Fund	1992 Plan	1993 Plan
Participants	6,460	4,903	22,981
Benefits Paid (millions)	$66.9	$54.8	$301.5
Number of Employers Obligated to Contribute	42	80	15
Employer Contributions (millions)	$14.2	$10.5	$114.3
Participant Contributions	$4,542	$9,680	$31,446
Federal Financial Assistance (millions)	$57.6	$47.0	$151.7

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

Note: Data are for the 2017 plan year, which ran from January 1, 2017, to December 31, 2017, for the 1992 and 1993 Plans and from October 1, 2017, to September 30, 2018, for the Combined Benefit Fund.

The retiree health 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, (2) a small amount of participant contributions, and (3) two sources of federal financial assistance: interest transferred from the Abandoned Mine Reclamation Fund and supplemental payments from the General Fund of the U.S. Treasury. An annual cap of $490 million per fiscal year applies on transfers from the General Fund. The cap on General Fund transfers includes grants to certain states and tribes that have reclaimed certain of their abandoned coal mining sites.

In recent years, a number of coal operators have had their obligations to fund retiree health benefits discharged in bankruptcy proceedings. Without a reliable source of funds, retirees' health benefits would be at risk. In 2016, Congress amended the Surface Mining Control and Reclamation Act of 1977 (SMCRA; P.L. 95-85) to authorize the transfer of federal funds to the 1993 Plan through April 30, 2017, for retirees who would have lost health benefits as a result of bankruptcies in either 2012 or 2015 (P.L. 114-254). In 2017, Congress further amended SMCRA in P.L. 115-31 to permanently authorize the annual transfer of funds to the 1993 Plan for those retirees.

Coal operator bankruptcies in 2018 (such as Westmoreland Coal and Mission Coal) and 2019 (such as Murray Energy) could result in additional retirees losing their health benefits depending on the outcome of bankruptcy proceedings.

UMWA Pension Benefits

Eligible retired UMWA mine workers receive pension benefits from the UMWA 1974 Pension Plan and Trust (1974 Pension Plan). The 1974 Pension 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 participant's 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 $40 x 30 = $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 due to employer bankruptcy. As a result of a decline in 1974 Pension Plan assets in 2008 and employer withdrawals from the plan, there are insufficient funds from which to pay all the benefits promised to participants. The 1974 Pension Plan's trustees estimate that it will become insolvent in 2022, though some are concerned that the recent bankruptcy of Murray Energy, the largest contributor to the 1974 Pension Plan, could advance that date. **Table 2** summarizes information about the 1974 Pension Plan in the 2017 plan year (the most recent information available).

Table 2. UMWA 1974 Pension Plan and Trust

2017 Plan Year

	1974 Pension Plan
Active Participants	3,857
Retired Participants and Beneficiaries Receiving Payments	86,240
Terminated Vested Participants	6,227
Number of Employers Obligated to Contribute to Plan	40
Benefit Payments	$613.8 million
Employer Contributions	$30.1 million
Plan Assets (Current Value)	$2,780.0 million
Plan Assets (Actuarial Value)	$3,025.6 million
Plan Liabilities (Under Immediate Gain and Unit Cost Methods)	$6,541.8 million
Plan Liabilities (Under "RPA '94" Method)	$9,285.5 million
Plan Underfunding (Assets - Liabilities) Using Actuarial Values of Assets and Immediate Gain Value of Liabilities	$3,516.2 million
Funding Ratio (Assets/Liabilities) Using Actuarial Values of Assets and Liabilities	46.3%
Plan Underfunding (Assets - Liabilities) Using Current Value of Assets and RPA '94 Liabilities	$6,505.5 million
Funding Ratio (Assets/Liabilities) Using Current Value of Assets and RPA '94 Liabilities	29.9%
Number of Participants on Whose Behalf No Contributions Were Made	84,900

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 1974 plan year ran from July 1, 2017, to June 30, 2018. Pension plans are required to calculate the values of plan assets and plan liabilities using several methods. Specifically, the RPA '94 measure of plan liabilities uses a lower discount rate to calculate the present value of future benefit obligations.

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. There are separate insurance programs for single-employer and multiemployer 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) to multiemployer DB plans.

PBGC does not receive taxpayer funding. Pension plans pay premiums to PBGC, which were $292 million in FY2018. PBGC paid $153 million in financial assistance to 78 multiemployer plans in FY2018. PBGC expects the funds in its multiemployer insurance program to be exhausted by the end of FY2025. 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).)

From July 1, 2017, through June 30, 2018, the UMWA 1974 Pension Plan paid $613.8 million in benefits to plan participants, had about $3.0 billion in assets, and received $30.1 million in employer contributions. The 1974 Pension Plan's insolvency would likely result in PBGC's insolvency. The annual financial assistance required for the 1974 Pension Plan would likely be several times greater than the annual financial assistance PBGC currently provides to multiemployer plans and its current premium revenue. The exact amount of financial assistance needed would depend on a number of factors, including the total amount of benefit reductions for participants who receive benefits greater than a maximum PBGC guarantee.

116th Congress Efforts to Provide Federal Financial Assistance to UMWA Plans

In the 116th Congress, several bills (H.R. 934, H.R. 935, S. 27, S. 671, S. 2788) contain provisions that would

- increase transfers from the General Fund to the 1993 Plan to cover retirees who lose health benefits as a result of a coal industry bankruptcy in 2018 or 2019, and/or
- increase the cap on transfers from the General Fund from $490 million to $750 million and authorize the transfer of funds to the 1974 Pension Plan. The amount transferred would be the amount remaining within the annual cap after funds are first transferred from the General Fund to three UMWA multiemployer health plans and to certified states and tribes.

For More Information

For more information, see CRS In Focus IF11352, *The Abandoned Mine Reclamation Fund: Issues and Legislation in the 116th Congress*; and UMWA Health and Retirement Funds, Health and Medical Benefits, http://www.umwafunds.org/Health-Medical-Benefits/Pages/default.aspx.

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