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U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

July 30, 2019

Ms. Lorraine Lewis
Executive Director
UMWA Health and Retirements Fund
2121 K St., NW
Washington, DC 22037

Dear Ms. Lewis,

Thank you for testifying before the Committee on Natural Resources, Subcommittee on Energy and Mineral Resources on Wednesday, July 24, 2019 at the hearing on H.R. 934, the "Health Benefits for Miners Act of 2019," and H.R. 935, the "Miners Pension Protection Act."

As a follow-up to your testimony, please find enclosed additional questions submitted by members of the Subcommittee for inclusion in the final hearing record. Please provide your written responses to: Sarina Weiss, Subcommittee Clerk, no later than Wednesday, August 7th.

Committee Rule 3(o) requires responses within 10 business days of the hearing.

We appreciate your time and insight and are grateful for your contribution to the Subcommittee's work. Should you have any questions, please contact Sarina Weiss, Subcommittee Clerk, at (202) 225-6065 about this request.

Sincerely,

Alan Lowenthal

Alan S. Lowenthal
Chair
Subcommittee on
Energy and Mineral Resources

Enclosures: Questions for the Record

Questions for the Record

Questions from Ranking Member Gosar (AZ)

1. During the hearing, we heard testimony that one of the factors contributing to the approaching insolvency of the UMWA pension fund is that some workers received their benefits before being fully qualified for them. We'd like to request data showing the following:
    a. What was the total sum of benefits paid out to workers in excess of the contributions made directly on behalf of those workers over the period 1946-1986? If those funds had remained in the plan instead of going to workers who had not earned them, what would the UMWA's funded percentage be today in contrast to its current 29.9 percent funded ratio?

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Response to Questions from the Subcommittee on Energy and Mineral Resources

I am pleased to provide the following information in response to three questions raised by Ranking Member Gosar; the first question was presented at the hearing, and the other two questions were a follow-up to the testimony presented at the hearing.

Lorraine Lewis, Executive Director, UMWA Health & Retirement Funds

1. At the July 24, 2019 hearing of the Subcommittee on Energy and Mineral Resources, a question was raised about the percentage of workers who received benefits from the Welfare and Retirement Fund who had not paid into the system long enough to earn benefits. That percentage is zero. As discussed below, the Fund's pensioners earned their benefits; all met the minimum qualifications established by the Trustees. In addition, all contributions to the Funds, then and now, come from signatory employers; the Plan's pensioners do not make financial contributions to the Funds. The following is a short description of the Welfare and Retirement Fund's early formation and information on the initial pensioners in the Fund. I would be pleased to provide any additional information requested.

The 1946 Krug-Lewis agreement, signed by John L. Lewis and Secretary of the Interior Julius Krug, provided for the creation of a health and retirement program, which included the Welfare and Retirement Fund (the predecessor of the UMWA 1974 Pension Plan), to make payments to miners and their dependents and survivors in cases of sickness, permanent disability, death or retirement. The Fund was to be financed by operating coal companies at a contribution rate of 5 cents per ton on coal produced. The Fund was managed by three trustees. The contribution rate was increased to 10 cents in 1947, 20 cents in 1948, and 30 cents in 1950.

The first payments from the Fund were $1,000 payments made in May of 1947 to the families of 111 miners killed in a mine blast in Centralia, Illinois. The Fund also engaged in an extensive rehabilitation program to assist miners who had been permanently and totally disabled in mine accidents.

There was a dispute between the Trustees appointed by the UMWA and the coal industry over starting the pension program, and the neutral Trustee eventually resigned. On the recommendation of Speaker of the U.S. House of Representatives Joseph Martin, the parties accepted U.S. Senator Styles Bridges (New Hampshire) as a neutral Trustee. Senator Bridges, noting the delay of two years in approving a pension program, offered a proposal to pay pensions to miners who had at least 20 years of service, were at least 62 years of age, and were employed in the industry on May 29, 1946, when the Krug-Lewis Agreement was signed. The proposal was adopted by a 2 to 1 vote, and the industry Trustee sued in federal court to block implementation of the proposal. Judge Thomas Goldsborough, U.S. District Court for the District of Columbia, upheld the Trustees' decision, stating:

> There seems to be nothing that shocks the mind at the idea that members of the United Mine Workers who have worked for 20 years under the ground, and are 62 years old, and were employed on May 29, 1946 should get a $100 a month pension… it is meager. It is enough to keep them from being the objects of charity in their old age; it is just enough to give them a little dignity; it is something to make them able to hold their head up. The court doesn't think that there is any justification in law or in sound reason for this complaint.

The first pension check was issued in September 1948 to Mr. Horace Ainscough from Wyoming. Mr. Ainscough was 62 years old, with 53 years of work in the coal mines, having started work at the age of 9. Mr. Ainscough was not atypical. There are many examples from this early group of retirees of young boys going to work in the mines, some as early as age 6, and working underground for 40 to 50 years.

As of June 30, 1951, approximately 39,000 miners were receiving a pension, having met all eligibility requirements for the $100 a month benefit. These pensioners had an average of 34 years of service and the average age was just under 65. About half of the pensions awarded in the first three years went to miners who had been disabled from further work in the coal industry. During this same period, there were approximately 400,000 UMWA members working in the coal industry. In these early years, the Fund was financed entirely by contributions based on tons of coal produced, not on hours worked or number of employees.

During the 1950s additional pension applications were approved, at an average of just under 6,000 per year. By July 1960, there were 65,600 retired miners receiving pensions from the Welfare and Retirement Fund. All applicants were required to meet the eligibility criteria established by the Fund's Trustees, which still required at least 20 years of work in the coal mines.

2. What was the total sum of benefits paid out to workers in excess of the contributions made directly on behalf of those workers over the period 1946 – 1986?

As stated earlier, the Fund did not pay benefits to any beneficiary who was not "fully qualified." From 1946 to 1986, the Welfare and Retirement Fund (and its successor plans) paid approximately $10.1 billion in benefits to eligible beneficiaries, $5.6 billion of which was for pension benefits for miners who satisfied the Fund's pension eligibility criteria. The remainder was for health, disability and death benefits, as authorized by the Trustees. Employers contributed approximately $11.9 billion. The difference between benefits paid and contributions is $1.9 billion. This difference does not include any interest earned during the 40-year period in question. The market value of the Fund's successor pension plans (the UMWA 1950 and 1974 Pension Plans) was $4.4 billion as of June 30, 1986.

3. If those funds had remained in the plan instead of going to workers who had not earned them, what would the UMWA's funded percentage be today in contrast to its current 29.9 percent funded ratio?

No pension payments from the Fund went to "workers who had not earned them." The initial pension awards were to miners who were required to have at least 20 years of service, be at least 62 years of age, and have worked after May 29, 1946. The awards during the first three years were to miners who had an average of 34 years of work in the coal industry.

Regardless of benefit payments seventy years ago, the funding status would almost certainly be similar to the status the 1974 Pension Plan is experiencing today, even if NO benefits had been paid for decades after the Krug-Lewis Agreement. The contribution history, the benefits provided, and the demographic composition of the Plan's population would likely have been very different, so any attempt at projections is too hypothetical. More importantly, the Plan was 93% funded in 2008 and was projected to near full funding in the succeeding decade. Initial pension payments did not cause the Plan's funding crisis; it was caused by the 2008-2009 market crash and by the discharge by various bankruptcy courts during the last 5 years of $ 4 billion in withdrawal liability owed to the Plan.