

Coal companies, union reach agreement on health benefits for retired miners

Brian Roewe | Oct. 10, 2013

Two coal companies and the largest U.S. coal miners' union have reached an agreement that would provide more than \$400 million in health care benefits for thousands of retired coal miners and their dependents.

The United Mine Workers of America, Patriot Coal, and Peabody Energy announced a global preliminary settlement Wednesday that effectively ends months of protests, court challenges and public opinion bouts the union waged against the coal companies since Patriot declared bankruptcy in July 2012.

The union had alleged that Peabody and Arch Coal, another St. Louis-based coal company, spun off assets to Patriot as a means to relieve themselves of \$1.6 billion in long-term health and retiree obligations. Both Peabody and Arch denied those claims.

The new deal would establish a Voluntary Employee Benefit Association to distribute \$400 million in benefits to an estimated 11,000 retirees, dependents and widows. The bulk will come from Peabody, which agreed to contribute \$310 million over four years, with the last payment coming at the beginning of 2017. Patriot will add an additional \$15 million in 2014, and up to \$60 million through 2015-17. Additional production-based royalty payments could provide an extra \$15 million.

Although he saw some victory in the settlement for the retirees, Glenmary Fr. John Rausch of the Catholic Committee of Appalachia said it falls short of fulfilling in entirety the promise of "cradle to grave" benefits.

"These people gave a service to the community by digging coal, by keeping electric rates cheap. And while they're getting some benefits from this settlement ... it will not be enough to keep and sustain all those retired miners," he told *NCR*.

The agreement would also provide Patriot financial sponsorship of \$250 million from Knighthead Capital Management for its emergence from bankruptcy, \$140 million and \$21 million in funding from Peabody and Arch, respectively.

"The best result for the UMWA and its members is for Patriot to emerge from bankruptcy as a healthy company that will continue to provide jobs and benefits, and we are now on track to achieve that goal," said Patriot president and CEO Bennett K. Hatfield in a press release.

The deal still requires approval from bankruptcy Judge Kathy Surratt-States, who is expected to rule in early November. Miners who retired prior to Oct. 31, 1994, would receive health coverage through the Coal Act, union spokesman Phil Smith said.

He told *NCR* that discussions had reached a point where it became the right time to make a deal, despite the final figure representing a quarter of the \$1.6 billion in benefits promised under past deals.

UMWA President Cecil Roberts said he was "very pleased" to have reached the agreement.

"This is a significant amount of money that will help maintain health care for thousands of retirees who earned those benefits through years of labor in America's coal mines. This settlement will also help Patriot emerge from bankruptcy and continue to provide jobs for our members and thousands of others in West Virginia and Kentucky," he said in a statement.

Peabody declined further comment beyond its press release, which quoted its chief legal officer Alexander Schoch, saying, "We are pleased to resolve the uncertainty among Patriot retirees by providing substantial funding" to the VEBA.

In late May, Patriot proposed providing an initial \$15 million to the VEBA in addition to a 35 percent stake in the post-bankruptcy company and up to \$300 million in profit-sharing. At the time, the union [described the offer](#) [1] as a "stopgap measure." When asked what made the latest deal different, Smith said the amount of money in play became a factor and would allow retirees coverage "for some time into the future."

"When it comes to paying for health care benefits in today's health care market, [\$400 million] really isn't that much, especially for a group of mainly senior citizens who have longer term illnesses as a result of the kind of work that they did. But that said, it's still a significant amount of money, and we were pleased to be able to reach this agreement," he said.

The union intends to seek further relief from Arch Coal, as well as through legislation introduced in the Senate and the House of Representatives that would transfer certain miner health benefits under the auspices of the Surface Mining Control and Reclamation Act of 1977.

As part of the settlement, the union relinquishes almost all of its 35 percent stake in Patriot and agreed to halt the more-than-monthly rallies and demonstrations it has held in Appalachia and outside Peabody headquarters in St. Louis. In all, the union held 17 rallies, including a dozen in St. Louis, three in West Virginia and one in Kentucky.

The union made a concerted effort to give the rallies a religious theme, beginning and ending each with prayer as well as singing "Amazing Grace." In addition, religious leaders from different denominations would address the crowds, often describing the dispute in terms of a moral obligation required of an employer to provide for the health of his or her employees.

Religious leaders also joined in the [pre-arranged arrests](#) [2] that ended each rally. Rausch said through these acts of challenging the system, they taught Catholic social doctrine. Going forward, he anticipated the religious community would assist in the push for passage of bills in Congress and continue in that teacher role, acting "out of our allegiance to what the Gospel is calling us to do."

Rausch likened the religious community's pursuit for worker justice to the biblical story of David and Goliath, describing themselves as "little fleas on the back of this gigantic system" that will eventually toss them aside.

"But at the same time, we're going to make some sort of statement as we get flicked off," he said.

[Brian Roewe is an *NCR* staff writer. His email address is broewe@ncronline.org [3]. Follow him on Twitter: [@BrianRoewe](https://twitter.com/BrianRoewe) [4].]

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