Barnhart v. Peabody Coal Co. case

In Barnhart v. Peabody Coal Co., the petitioner is the Commissioner of Social Security. Respondents are Peabody Coal Company and Eastern Associated Coal Company. After 20-30 years of working in a mine, miners normally have a host of medical problems. The congress addressed this issue by passing the Coal Industry Retiree Health Benefit Act (the “Coal Act”) which was signed by President George H.W. Bush in 1992. Under this act, all companies (including those that had abandoned their retirees) were required to provide funding for health care benefits of their retirees. In absence of a surviving employer, the retirees, will be funded out of the surplus pension assets and interest from the Abandoned Mine Land Reclamation Fund. The Coal Act only covers health care for miners who retired before October 1, 1993 and intended to provide funding for health care benefits of United Mine Workers of America (UMWA) retirees, their surviving spouses and any dependents, when they retired and the company for which they worked before retiring was no longer in business.

In years following this agreement, contracts were negotiated with that obligation in place, since retirement health care benefits had become very important to union miners and that they were even ready to take less in wage to maintain the retirement health benefits. According to the Coal Act of 1992, the Commissioner of Social Security “shall, before October 1, 1993,” assign each retiree (eligible for benefits under the Act) to a “signatory operator”—or a related entity, which shall then be responsible for funding the retired beneficiary’s benefits, 26 U. S. C. § 9706(a)1. Assignment to a signatory operator binds the operator to pay an annual premium to the United Mine Workers of America Combined Benefit Fund (Combined Fund), which administers the benefits. The premium has up to three components, a health benefit premium, a death benefit premium, and a premium for retirees, who are not assigned to a particular operator, but whose benefits are paid from the Combined Fund as if they were assigned. The main goal of the Coal Act was to provide stable funding for the health benefits of such “unassigned retirees.”2 Although, the signatory operators will be responsible to pay an unassigned beneficiaries premium if funding from the United Mine Workers of America 1950 Pension Plan (UMWA Pension Plan) and the Abandoned Mine Land Reclamation Fund (AML Fund) runs out, each signatory operator’s unassigned beneficiaries premium is based on the number of its assigned beneficiaries, such that the signatory with the most assigned retirees would be required to cover the greatest share of the benefits payable to unassigned beneficiaries.

As stated in the Coal Act (1992) and §9706 which states that the Commissioner “shall” complete all assignments before October 1, 1993, the Commissioner did not, and she now estimates that some 10,000 beneficiaries were first assigned to signatory operators after the

statutory date of October 1, 1993. The responding parties disagree on the reason why the Commissioner failed to meet the deadline. Even after the statutory deadline (October 1, 1993), the Commissioner had continued the work of assigning signatory operators, and had assigned about 330 beneficiaries to respondents Peabody Coal Company and Eastern Associated Coal Corp., and about 270 beneficiaries to NACCO Industries, Inc., Bellaire Corporation, and The North American Coal Corporation3. These companies challenged the assignments in two separate actions before different District Courts, claiming that the statutory date sets a time limit on the Commissioner's power to assign, so that a beneficiary not assigned on October 1, 1993 (and the beneficiary's and their eligible dependents) must be left unassigned for life1. If the respondent companies are right, the challenged assignments are void and the corresponding benefits must be financed not by them, but by the transfers from the AML Fund, UMWA Pension Plan, and additionally if required by unassigned beneficiary premiums paid by other signatory operators to whom timely assignments were made.

The Commissioner's explanation for the delay is that the Social Security Administration (SSA) was not permitted to expend appropriated funds to commence work on assignments until July 13, 1993, when Congress enacted the Supplemental Appropriations Act of 19931. The Commissioner also states that the task of researching employment records for approximately 80,000 coal industry workers in order to determine the appropriate signatory operators was monumental and could not have been completed by October 1, 1993, without additional resources. The respondent companies counter argue that the Acting Commissioner assured Congress less than a month before the statutory date that SSA would meet its "statutory responsibility" to complete the assignments on time. The commissioner argued the Act made to spur timely completion and that assignments could be made after the statutory deadline (October 1, 1993). The Commissioner further states that the Congress primarily intended the coal operators to pay for their own retirees1. The Commissioner denied that Congress intended the Commissioner's tardiness in assignments to impose a permanent charge on the public AML Fund, otherwise earmarked for reclamation, or to raise the threat of permanently heavier financial burdens on companies that happened to get assignments before October 1, 1993.

The respondent companies call the failure "jurisdictional," such that the affected beneficiaries (like truly orphan or unassigned beneficiaries) may never be assigned, but instead must be permanent wards of the UMWA Pension Plan, the AML Fund, and, potentially, of coal operators without prior relationship to these beneficiaries. The respondent companies, in other words, say that as to tardily assigned beneficiaries who were, perhaps, formerly their own employees, are not their responsibility and that they go scot free. As for the commissioner is concerned he had no discretion to choose to leave assignments until after the prescribed date (October 1, 1993). The case was petitioned by Barnhart, commissioner of Social Security against the respondent companies (Peabody Coal Co and the Eastern Associated Coal Company), and the question before the court was whether or not eligible retirees could be assigned to an operator after the

statutory deadline (October 1, 1993), as specified in the Coal Act. The mining companies argued the date in the Act limits the commissioner's ability to assign eligible retirees to an operator and hence this case is mainly to determine if a law instructing a government agent "shall" perform an action by a given statutory date was intended as a 'spur to action' or a limit on whether the agent could act after the date1. If the retirees could not be assigned to an operator, the respondent company they would have been assigned to would be free of obligation. The oddity this claim has is that a delay in official action should shift financial burdens from otherwise responsible private purses to the public fisc (treasury), let alone siphon money from the funds set aside for a different public purpose, like the AML Fund for land reclamation.