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ERISA Litigation Alert - U.S. Supreme Court Paves Way For Employers To Have More Freedom To Modify Or Reduce Union Bargained-For Retiree Healthcare Benefits

February 16, 2015 | Atlanta | Chicago | Columbus | Delaware | Elkhart | Fort Wayne | Grand Rapids | Indianapolis | Los Angeles | Minneapolis | South Bend

On Jan. 26, the U.S. Supreme Court decided the case of *M&G Polymers USA, LLC v. Tackett*. In a unanimous decision, the Court invalidated what has become known as the *Yard-Man* inference, a judicial inference applied by the U.S. Court of Appeals for the Sixth Circuit to hold that retiree healthcare benefits are "vested for life" in the absence of specific language to the contrary in a plan document or collective bargaining agreement (CBA). The unanimous decision of the Supreme Court is by and large a win for employers which may now have more freedom to alter, reduce or eliminate altogether the healthcare benefits provided to retired union workers.

In *UAW v. Yard-Man*, 716 F.2d 1476 (6th Cir. 1983), the Sixth Circuit held that the union and employer intended to vest health insurance benefits for the company's retirees such that they would continue beyond the life of the CBA at issue. Vested benefits typically may not be modified, reduced or terminated. The *Yard-Man* court determined and concluded that "retiree benefits are in a sense 'status' benefits which, as such, carry with them an inference that they continue so long as the pre-requisite status is maintained." Thus, according to the Sixth Circuit, "when parties contract for benefits which accrue upon achievement of retiree status, there is an inference that the parties likely intended those benefits to continue as long as the beneficiary remains a retiree." Over the years, other Circuit Courts of Appeal have refused to adopt the *Yard-Man* inference and have required CBAs to contain affirmative language of the parties' intention that retiree healthcare benefits were vested benefits. Although the Supreme Court's opinion in *Tackett* unanimously rejected *Yard-Man's* "thumb on the scales inference" in favor of vesting, the Court did not provide any bright line guidance as to what language contained in a CBA would be sufficient or insufficient to establish an entitlement to vested retiree healthcare benefits beyond the life of the particular CBA that afforded those benefits. Nevertheless, the opinion has largely been hailed as a victory for employers.

For more information, contact the Barnes & Thornburg attorney with whom you work, or Howard Kochell at howard.kochell@btlaw.com.

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