

Retirees Proceed To Arbitration Over Slashed Benefits

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Retiree benefits are a big issue for many employers – from pure economic cost to administrative burdens. Accordingly, some companies have moved to limit or cut such benefits entirely over the years. Of course, when doing so, companies need to navigate various legal issues, including under the Employee Retirement Income Security Act (ERISA) and, to the extent a union is in the picture, the National Labor Relations Act and/or Labor Management Relations Act (LMRA). A recent federal court decision illustrates some of the complexities a company may encounter when attempting to reduce or eliminate retiree benefit costs. The case was filed by the United Steelworkers Union (USW) against Ampco-Pittsburgh Corp. In that case, the USW, along with a retired employee of Ampco, filed a putative class action against the company after it allegedly eliminated health plan coverage for pre-Medicare eligible retirees (including their spouses and dependents) who retired prior to March 1, 2015. The USW further claimed the company unilaterally substituted a limited monthly reimbursement for retirees for health insurance purchased on the private market in lieu of coverage on Ampco's benefit plan. The USW alleged in its complaint that: 1) these acts violated the company's collective bargaining agreement (CBA) with the union and thus arbitration pursuant to the CBA should be compelled under the LMRA; and 2) the acts further constituted independent violations of the LMRA as well as ERISA. The company moved to dismiss the complaint. On June 13, a judge for the U.S. District Court for the Western District of Pennsylvania [issued a decision](#) that sided with the USW and compelled arbitration. The court first evaluated the arbitration language in the parties' CBA. The CBA's arbitration clause stated that it applies to disputes "between the Company and the Union or its members as to interpretation or application of, or compliance with the provisions of this Agreement." The court found the language to be "broad" and that it did "not expressly narrow or limit the types of disputes" to be resolved between the parties. Based on that finding, the court determined the dispute over whether retiree benefits cuts violated the CBA must be decided in arbitration. Thus, the parties now will be presenting the merits of their positions to an arbitrator. Companies considering or implementing modifications to retiree benefits must thoroughly account for the myriad of legal issues that may be implicated by such changes. Developing a thoughtful strategy around the various laws in play can help potentially limit possible legal obstacles or exposure.

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