

COLLECTIVE BARGAINING AGREEMENTS: CREATING VESTED RETIREE MEDICAL BENEFITS

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Following its December 22, 2011, ruling we discussed previously that retired Kelsey-Hayes (“Company”) union members must arbitrate their claims for fully-paid lifetime retiree medical benefits, the Eastern District of Michigan handed a victory to different class of union retirees facing similar changes to their healthcare coverages. *United Steelworkers of America v. Kelsey-Hayes Co.*

Plaintiffs worked at the now closed automobile parts manufacturing plant in Jackson, Michigan. Under the collective bargaining agreements (“CBAs”) with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, the Company was required to establish healthcare coverage for retirees and their dependents and surviving spouses and to contribute the full premium for such coverages. Before and after the plant closing in 2006, the Company paid all retirees’ healthcare coverage costs. In September 2011, the Company announced plans to replace the retiree medical plan with individual health reimbursement accounts funded by the Company and to be used by retirees to purchase of individual healthcare policies. On January 1, 2012, the Company discontinued healthcare coverage for retirees age 65 and older and made a one-time contribution of \$15,000 for each retiree and spouse for 2012 and provided for an additional \$4,800 credit for 2013. Any future contributions would be at the discretion of the Company. Retirees filed suit alleging that the Company’s unilateral modification of their health benefits constituted a breach of the terms of the CBAs in violation of ERISA.

Citing a line of cases addressing the vesting of retiree benefits, including *Int’l Union v. Yard Man*, 716 F.2d 1476 (6th Cir. 1983), the court held that the CBAs’ promised “continuance” of the healthcare coverages employees had “at the time of retirement” and that such coverages “shall be continued thereafter” for retirees, their spouses and eligible dependents and that any changes could be made “by mutual agreement between the Company and the Union” was unambiguous language demonstrating the plaintiffs’ right to vested lifetime retirement healthcare coverage. In granting summary judgment for in favor of the plaintiffs, the court noted that it had previously held that identical CBA terms unambiguously promise vested, lifetime retiree healthcare benefits. The court further noted that an arbitrator recently considering virtually identical CBA terms found that those Kelsey-Hayes’ retirees had vested rights to medical plan coverages for their lifetime.

MEET THE TEAM



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