HONEYWELL CANNOT UNILATERALLY TERMINATE RETIREE HEALTH BENEFITS

Fletcher v. Honeywell Int'l, Inc. (S.D. Ohio, 2017)
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Employee Benefits

In a recent case involving the vesting of retiree health benefits - *Fletcher v. Honeywell Int'l, Inc.*- an Ohio federal district court ruled that Honeywell International Inc. could not unilaterally terminate lifetime health-care benefits for retirees of a Greenville, Ohio, plant. In so ruling, the court agreed with the retirees' contention that a series of collective bargaining agreements (CBAs) promised them lifetime retiree healthcare benefits even though there was no language in the CBAs specifically imposing on Honeywell an obligation to provide lifetime benefits. The court rejected Honeywell's argument that the absence of specific language providing for lifetime healthcare benefits for retirees is crucial to a claim of vesting. According to the court, a "clear statement" in a CBA that the company agrees to provide lifetime retiree healthcare benefits is not necessarily required; courts may draw "implications and inferences" from other language in a CBA. Moreover, because the court found that the CBA language was ambiguous, it had the right to look to extrinsic evidence to determine what the parties intended when they drafted the language in question. Significantly, the court found that Honeywell's course of conduct in continuing to provide coverage after the expiration of the CBA provided strong support for the court's finding that Honeywell had agreed to provide lifetime retiree healthcare benefits. In so doing, the court rejected Honeywell's argument, based on the 6th Circuit federal court of appeals decision in *Gallo v. Moen* (addressed here: http://www.hodgsonruss.com/newsroom-publications-employee-benefits-developments-february-2016.html), that a company does not act inconsistently when it continues paying healthcare benefits to retirees and reserves the right to alter or eliminate those benefits in the future. According to the court, the principal announced in *Gallo v. Moen*– that the continuation of retiree coverage following the expiration of the CBAs did not dictate a finding that benefits were vested – did not apply for several reasons: (1) the governing documents in *Gallo v. Moen*, unlike the documents in the case at bar, contained a "reservation-of-rights" clause; and (2) the language in *Gallo v. Moen*, unlike the language in the case at bar, unambiguously indicated that retiree benefits were not vested.

The ruling in *Honeywell* was based on a factual pattern that is common in retiree health benefit litigation: The CBA does not expressly address whether retiree benefits are (or are not) vested, does not contain a clear reservation of rights clause pursuant to which the company may claim the right to alter or terminate the

benefits in the future, and retiree benefits are provided beyond the expiration of the relevant CBA. Given these facts, the court's analysis in *Honeywell*, if it holds, is not good news for employers seeking to unilaterally alter or terminate existing programs. In designing future programs, or extending current programs, the CBA should expressly address vesting. If a program is not intended to vest for the life of a retiree, employers should also be careful to ensure that summary plan descriptions, enrollment forms and other employee and retiree communications include "reservation of rights" clauses. Benefits counselors who communicate with retirees and their spouses should receive proper guidance and training to ensure that their statements are accurate and complete with respect to the vesting of retiree benefits. Finally, to reduce the risk of a dispute about the intentions of the parties, employers should carefully document the circumstances surrounding contract negotiations. *Fletcher v. Honeywell Int'l, Inc.* (S.D. Ohio, 2017)