

Unanimous Supreme Court Decision Eliminates Presumption That Union Retiree Health Benefits Are Vested For Life

Wesley Covert

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In ***M&G Polymers USA, LLC v. Tackett***, the United States Supreme Court invalidated a judicial presumption - commonly referred to as the *Yard-Man* presumption - that union retiree health care benefits are vested for life in the absence of specific language to the contrary in a plan document or collective bargaining agreement. In so doing, the Court directed lower courts to apply ordinary contract principles, rather than special inferences or presumptions, to determine whether union retiree health benefits are vested for life. According to the Court, the *Yard-Man* presumption conflicts with ordinary principles of contract law. The Court noted that this presumption essentially places “a thumb on the scale in favor of vested retiree benefits in all collective bargaining agreements,” which prevents a court from determining the true intention of the parties. The Court further noted that the presumption was based on an inference that retiree health care benefits are not the subject of mandatory bargaining when, in fact, retiree health care benefits are quite often mandatory subjects of collective bargaining. Furthermore, the Court noted that in its prior holdings, retiree health care benefits are explicitly exempted from ERISA’s vesting requirements and that employers have significant discretion to design, amend, or terminate such benefits. Despite the unanimous decision against the presumption of lifetime vesting, the four justices who joined in a concurring opinion noted that the entire contract and even extrinsic evidence may be used to determine the intention of the parties absent an express statement of intent. In light of this decision, unionized employers

Attorneys

Wesley H. Covert

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who are parties to collective bargaining agreements that provide retiree healthcare benefits should, with assistance of counsel, carefully analyze the applicable provisions of their agreements and relevant extrinsic evidence. Under appropriate circumstances, it may be possible to avoid the burdensome costs of providing lifetime benefits to retirees provided that local or state law does not otherwise require union employers to guarantee such benefits.