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Sixth Circuit Rules Employer Can Terminate Retiree Health Benefits

Article By:

Litigation Practice Group Proskauer

The ***Sixth Circuit*** ruled that retirees of Moen Inc. were not entitled to lifetime health benefits upon finding that an underlying collective bargaining agreement (CBA) did not create vested rights to these benefits. Moen and its predecessor were parties to several CBAs with a local affiliate of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America until Moen shut down its operations and terminated the last CBA. The closing agreement stated that healthcare coverage "shall continue" for retirees and their spouses as provided in the applicable CBA. Moen later decreased health benefits and the retirees sued, arguing that their healthcare benefits had vested. The district court certified a class of retirees and granted plaintiffs' motion for summary judgment.

The Sixth Circuit, in a split decision, reversed the district court's decision because the CBA did not promise lifetime, unalterable healthcare benefits. Rather, the Sixth Circuit explained that, among other things: (i) the term of each CBA was three years and contractual obligations ordinarily cease upon termination of the bargaining agreement, (ii) there were no specific durational limits, (iii) the CBAs explicitly vested pension benefits but not healthcare benefits, and (iv) the CBA included a reservation of rights clause that permitted the employer to unilaterally terminate benefits. Notably, however, the Sixth Circuit rejected Moen's argument that the Supreme Court's decision in ***M&G Polymers USA, LLC v. Tackett*****,** 135 S. Ct. 926 (2015) created a "clear-statement rule", *i.e.*, that in order to create a vested right to benefits, a CBA must contain a clear and explicit statement that health benefits are vested, and stated that courts can draw implications and inferences from the contract if they are grounded in ordinary principles of contract law. The case is ***Gallo v. Moen Inc.***, No. 14-3633, 14-3918, 2016 WL 482196 (6th Cir. 2016).

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