

Employer Precluded from Making Unilateral Change to Retirees' Benefits

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An employer entered into a collective bargaining agreement (CBA) with a group of unionized employees. The CBA provided for retiree health coverage for retired union employees for the CBA's duration. It also required the employer to create a voluntary employee benefit association (VEBA) trust and provided that upon the exhaustion of the funds in the VEBA, the employer could charge the retirees the cost of their retiree health coverage. Upon the CBA's expiration, the employer unilaterally changed the retiree health coverage previously regulated under the expired CBA. The union, on behalf of a class of several hundred retirees, sued under Section 502(a) of the Employee Retirement Income Security Act (ERISA) and Section 301 of the Labor Management Relations Act (LMRA), seeking a permanent injunction preventing the employer from making any unilateral changes to retiree health coverage and an award for benefits that would have been received without the employer's changes. The U.S. Court of Appeals for the Fourth Circuit found that it was the joint intent of the employer and the union that retiree health insurance benefits could not be unilaterally changed by the employer after the governing CBA's expiration. The Fourth Circuit interpreted the CBA as a whole to find that the inclusion of both the VEBA provision and a provision governing the exhaustion of the funds in the VEBA (which was not projected to occur until six years after the expiration of the three-year CBA) demonstrated the parties' joint intent to continue to impose the obligation to provide retiree health benefits. The lack of durational limit of coverage was also noted. Employers entering into CBAs covering retiree health benefits should ensure that the language governing the duration of coverage of retiree health is clear and concise when read in conjunction with the entire CBA.

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Topics

ERISA, LMRA, VEBA