The Basics

- Legal protection is state-specific (and, sometimes, plan-specific)
- Retiree medical benefits are typically governed by different rules than those that apply to pensions
- The general or default rule is that such benefits may be freely changed
Why Are Retiree Medical Benefits Different Than Pensions?

- Pensions *accrue over time*, while retiree medical benefits are typically based on status
- Pensions are earned over time and increase in value as the employee works
- The value of retiree medical benefits is not tied to work in the same manner; once you qualify, you are entitled to the same benefit regardless of tenure or salary
The Standard Legal Approach to Retiree Medical Benefits

1. Retiree medical benefits are not entitled to legal protection absent an explicit law or employer promise providing otherwise

2. Sources of protection:
   1. State constitution
   2. State statute
   3. Implied contract
   4. Collective bargaining agreements
Implied Contracts

• Even where a statute does not explicitly state that it creates contractual rights to retiree medical benefits, courts in some states find a contract to exist once a participant has satisfied eligibility requirements
Collective Bargaining Agreements

- By far the most litigated area in retiree medical benefits
- Primary issue: if a limited term collective bargaining agreement offers retiree medical benefits to eligible employees who retire during the term of the agreement, does that grant of benefits survive the termination of the CBA?
Duration of CBA Retiree Medical Benefits

- If contract is unambiguous, court will enforce as written
- If language is considered ambiguous, courts will allow extrinsic evidence to determine what the parties mutually intended
Dealing with Ambiguous CBA Language

• Some courts are highly skeptical that a union would bargain over retiree benefits that could be withdrawn as soon as CBA expires.
Dealing with Ambiguous CBA Language

• Many courts view eligibility tied to events that are near-certain to happen beyond the term of the CBA as strong evidence that the right to retiree medical benefits survives expiration of the CBA
  – Example: Individuals retiring during the term of this agreement with at least 10 years of service on or after age 55 shall be provided with group health insurance until such individual attains age 65.
The Supreme Court Enters the Fray

  
  “when a contract is silent as to the duration of retiree benefits, a court may not infer that the parties intended those benefits to vest for life”

• Impact on public employee retiree medical benefits remains to be seen, but likely to have significant impact