Under Contract Law, Court Says Retirees Have No Vested Right to Lifetime Benefits

The 6th U.S. Circuit Court of Appeals has issued a sweeping decision that confirms that "ordinary principles of contract law" rarely will require a company to freeze outdated lifetime health coverage benefits in place, write **Nancy G. Ross** and **Brian D. Netter**, partners in **Mayer Brown**.

"Until recently, courts had a practice of interpreting benefits arrangements in collective-bargaining agreements ('CBAs') to ensure lifetime coverage—often defying the company's expectations in the process," **they write**. "But the legal environment has changed. Now is the time for companies to press ahead in reducing legacy costs on their balance sheets."

They discuss the case of *Gallo v. Moen Inc.*, in which a class of retirees who had worked at a shuttered Ohio factory alleged that they had been promised lifetime health benefits.

Read the article.