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NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

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M&G POLYMERS USA, LLC, ET AL. *v.* TACKETT ET AL

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

No. 13–1010. Argued November 10, 2014—Decided January 26, 2015

When petitioner M&G Polymers USA, LLC (M&G), purchased the Point Pleasant Polyester Plant in 2000, it entered a collective-bargaining agreement and related Pension, Insurance, and Service Award Agreement (P & I agreement) with respondent union. As relevant here, the P & I agreement provided that certain retirees, along with their surviving spouses and dependents, would "receive a full Company contribution towards the cost of [health care] benefits"; that such benefits would be provided "for the duration of [the] Agreement"; and that the agreement would be subject to renegotiation in three years.

Following the expiration of those agreements, M&G announced that it would require retirees to contribute to the cost of their health care benefits. Respondent retirees, on behalf of themselves and others similarly situated, sued M&G and related entities, alleging that the P & I agreement created a vested right to lifetime contribution-free health care benefits.

The District Court dismissed the complaint for failure to state a claim, but the Sixth Circuit reversed based on the reasoning of its earlier decision in *International Union, United Auto, Aerospace, & Agricultural Implement Workers of Am.* v. *Yard-Man, Inc.*, 716 F. 2d 1476. On remand, the District Court ruled in favor of the retirees, and the Sixth Circuit affirmed.

Held: The Sixth Circuit's decision rested on principles that are incompatible with ordinary principles of contract law. Pp. 5–14.

(a) The Employee Retirement Income Security Act of 1974 (ERISA) governs pension and welfare benefits plans, including those established by collective-bargaining agreements. ERISA establishes minimum funding and vesting standards for pension plans, but exempts

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welfare benefits plans—which provide the types of benefits at issue here—from those rules. See 29 U. S. C. §§1051(1), 1053, 1081(a)(2), 1083. "[E]mployers have large leeway to design . . . welfare plans as they see fit." *Black & Decker Disability Plan* v. *Nord*, 538 U. S. 822, 833. Pp. 5–7.

(b) This Court interprets collective-bargaining agreements, including those establishing ERISA plans, according to ordinary principles of contract law, at least when those principles are not inconsistent with federal labor policy. See *Textile Workers* v. *Lincoln Mills of Ala.,* 353 U. S. 448, 456–457. When a collective-bargaining agreement is unambiguous, its meaning must be ascertained in accordance with its plainly expressed intent. 11 R. Lord, Williston on Contracts §30:6, p. 108. P. 7.

(c) In *Yard-Man,* the Sixth Circuit found a provision governing retiree insurance benefits ambiguous as to the duration of those benefits; and, looking to other provisions of the agreement, purported to apply ordinary contract law to resolve the ambiguity. First, the court inferred from the existence of termination provisions for other benefits that the absence of a termination provision specifically addressing retiree benefits expressed an intent to vest those benefits for life. The court then purported to apply the rule that contracts should be interpreted to avoid illusory promises, reasoning that, absent vesting, the promise would be illusory for the subset of retirees who would not become eligible for those benefits before the contract expired. Finally, the court relied on "the context" of labor negotiations to resolve the ambiguity, inferring that the parties would have intended such benefits to vest for life because they are not mandatory subjects of collective bargaining; are "typically understood as a form of delayed compensation," 716 F. 2d, at 1482; and are keyed to the acquisition of retirement status. The court concluded that these contextual clues "outweigh[ed] any contrary implications derived from a routine duration clause." *Id.,* at 1483. The Sixth Circuit has since extended its *Yard-Man* analysis in a series of other cases. Pp. 7–10.

(d) The inferences applied in *Yard-Man* and its progeny do not represent ordinary principles of contract law. *Yard-Man* distorts the attempt to ascertain the intention of the parties by placing a thumb on the scale in favor of vested retiree benefits in all collective-bargaining agreements. Rather than relying on known customs and usages in a particular industry as proven by the parties, the *Yard-Man* court relied on its own suppositions about the intentions of parties negotiating retiree benefits. It then compounded the error by applying those suppositions indiscriminately across industries. Furthermore, the Sixth Circuit's refusal to apply general durational clauses to provisions governing retiree benefits distorts an agreement's text and con-

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flicts with the principle that a written agreement is presumed to encompass the whole agreement of the parties.

Perhaps tugged by its inferences, the Sixth Circuit also misapplied the illusory promises doctrine. It construed provisions that admittedly benefited some class of retirees as "illusory" merely because they did not benefit *all* retirees. That interpretation is a contradiction in terms—a promise that is "partly illusory" is by definition not illusory. And its use of this doctrine is particularly inappropriate in the context of collective-bargaining agreements, which often include provisions inapplicable to some category of employees.

The Sixth Circuit also failed even to consider other traditional contract principles, including the rule that courts should not construe ambiguous writings to create lifetime promises and the rule that "contractual obligations will cease, in the ordinary course, upon termination of the bargaining agreement," *Litton Financial Printing Div., Litton Business Systems, Inc.* v. *NLRB*, 501 U. S. 190, 207. Pp. 10–14.

(e) Though there is no doubt that *Yard-Man* and its progeny affected the outcome here, the Sixth Circuit should be the first to review the agreements under ordinary principles of contract law. P. 14.

733 F. 3d 589, vacated and remanded.

THOMAS, J., delivered the opinion for a unanimous Court. GINSBURG, J., filed a concurring opinion, in which BREYER, SOTOMAYOR, and KAGAN, JJ., joined.

SUPREME COURT OF THE UNITED STATES

No. 13–1010

M&G POLYMERS USA, LLC, ET AL., PETITIONERS *v.* HOBERT FREEL TACKETT ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

[January 26, 2015]

JUSTICE THOMAS delivered the opinion of the Court.

This case arises out of a disagreement between a group of retired employees and their former employer about the meaning of certain expired collective-bargaining agreements. The retirees (and their former union) claim that these agreements created a right to lifetime contribution-free health care benefits for retirees, their surviving spouses, and their dependents. The employer, for its part, claims that those provisions terminated when the agreements expired. The United States Court of Appeals for the Sixth Circuit sided with the retirees, relying on its conclusion in *International Union, United Auto, Aerospace, & Agricultural Implement Workers of Am.* v. *Yard-Man, Inc.*, 716 F. 2d 1476, 1479 (1983), that retiree health care benefits are unlikely to be left up to future negotiations. We granted certiorari and now conclude that such reasoning is incompatible with ordinary principles of contract law. We therefore vacate the judgment of the Court of Appeals and remand for it to apply ordinary principles of contract law in the first instance.

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Respondents Hobert Freel Tackett, Woodrow K. Pyles, and Harlan B. Conley worked at (and retired from) the Point Pleasant Polyester Plant in Apple Grove, West Virginia (hereinafter referred to as the Plant). During their employment, respondent United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, or its predecessor unions (hereinafter referred to as the Union), represented them in collective bargaining. Tackett and Pyles retired in 1996, and Conley retired in 1998. They represent a class of retired employees from the Plant, along with their surviving spouses and other dependents. Petitioner M&G Polymers USA, LLC, is the current owner of the Plant.

When M&G purchased the Plant in 2000, it entered a master collective-bargaining agreement and a Pension, Insurance, and Service Award Agreement (P & I agreement) with the Union, generally similar to agreements the Union had negotiated with M&G's predecessor. The P & I agreement provided for retiree health care benefits as follows:

> "Employees who retire on or after January 1, 1996 and who are eligible for and receiving a monthly pension under the 1993 Pension Plan . . . whose full years of attained age and full years of attained continuous service . . . at the time of retirement equals 95 or more points will receive a full Company contribution towards the cost of [health care] benefits described in this Exhibit B–1 . . . . Employees who have less than 95 points at the time of retirement will receive a reduced Company contribution. The Company contribution will be reduced by 2% for every point less than 95. Employees will be required to pay the balance of

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