News

GM had Contractual Right to Reduce Retiree Benefits of Executives, But Not Other Salaried Employees

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In a recent class action motion, O'Neill v. General Motors of Canada, the Ontario Superior Court concluded that General Motors of Canada ("GM") breached its contract with certain non-executive salaried employees when it reduced their post-retirement benefits after they had retired. The Court found that GM had not clearly and unambiguously reserved its right to reduce or eliminate those benefits in it's plan documents. However, based on different contractual language, it had reserved the right to reduce or eliminate post-retirement benefits for executive employees.

In making its finding with respect to the non-executive employees, the Court reviewed specified benefit documents to determine whether GM was contractually obligated to maintain the benefits that had vested upon retirement such that they could not be changed once the employee retired. Those documents primarily consisted of brochures, booklets and member communications.

The Court found that it was not clear and unambiguous from the specified documents that GM had reserved the power to reduce or eliminate the benefits; any ambiguity in the documents should be interpreted against their drafter in accordance with principles of legal interpretation; as a general rule, employment contracts should be interpreted to protect employees given the unequal bargaining relationship; GM should be presumed to have drafted the contract in good faith having regard to GM's reassurances to employees about their retirement security; and, subsequent contractual language in the benefit documents expressly reserved the right to alter the post-retirement benefits, an indication that GM had previously intended to prevent non-executives' post-retirement benefits from being reduced once they had retired. GM has indicated that it intends to seek leave to appeal this decision as it relates to the non-executive retirees.

For a more detailed discussion of this case, see our Case in Point blog post, "GM Benefits Plan Language Did Not Allow Reduction After Non-Executives' Retirement; GM Plans Appeal."