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Ruling gives Chevron retirees back pay

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Chevron employees duped into retiring just before the company offered lucrative buyout packages will get paid retroactively as the result of a San Francisco federal court decision holding the oil giant liable for misleading the workers at its Richmond refinery.

As buyouts and other retirement incentives become increasingly popular ways to reduce staff and cut costs, the decision strengthens the right of employees to demand complete and honest information about any plans to change their pension and retirement benefits.

"In an era when many workers are losing their safety net and their retirement security, this is a very important ruling," said Michael Ram, the San Francisco attorney who represented the Chevron employees.

Fred Gorell, a spokesman for the oil company, now known as Chevron Texaco, called the judge's opinion disappointing.

"We don't agree with his decision in favor of the plaintiffs," he said. "We are reviewing our options, one of which would be to appeal."

In an opinion issued late Tuesday, U.S. District Judge William Alsup awarded six machinists, mechanics and other rank-and-file workers who retired in 1999 the additional money they would have received had they left Chevron after the company announced its retirement incentives.

The former workers deserved the award, said Alsup, because Richmond refinery manager William Steelman had responded to their questions about a possible buyout by saying, "Not at Richmond," even after he agreed to offer buyouts to certain other workers.

"Chevron actively misinformed its Richmond workforce," wrote Alsup, "by representing that a final decision had been made by Chevron when, in fact, Mr. Steelman knew or should have known that no final decision had been made."

Alsup denied awards to four other workers because they retired before Chevron had started to consider buyouts. Although the workers claimed to have retired in reliance on Steelman's "Not at Richmond" remarks, the statements were not, in fact, misleading at that point, the judge explained.

The case turned on Alsup's interpretation of the Employee Retirement Income Security Act, known as ERISA, a federal law governing pension benefits, health care packages and other employment plans.

The law requires employers to become plan fiduciaries, a legal status that requires them to act in the best interests of employees -- rather than, for example, in the best interests of the company -- when dealing with employment plans.

In this case, explained Alsup, Chevron had two duties as a fiduciary. One was not to "actively misinform" employees about "the likely future of plan benefits." The other was to tell employees who asked that the company was giving "serious consideration" to changing benefits.

On Feb. 23, 1999, Chevron adopted a new plan for paying workers to retire early. Three days later, executives discussed the plan's possible application to refineries.

At about the same time, employees at the Richmond refinery began to ask managers about rumored buyouts. But on a company Web site and at refinerywide meetings, Steelman explain that the Richmond facility had to reduce staff, but would do so by attrition rather than by layoffs.

Relying on Steelman's message, employees nearing retirement age began to leave the company from March through May 1999. Steelman continued to say there would be no retirement packages until May 28, when he announced a buyout that would give many employees more than one year's salary.

"Unfortunately," wrote Alsup, "this notification came too late for virtually all the plaintiffs."